PC MALL INC (MALL)

10-K

Annual report pursuant to section 13 and 15(d)
Filed on 03/15/2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2011

☐ **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

PC MALL, INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-4518700** (IRS Employer Identification Number)

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

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

2555 West 190th Street, Suite 201, Torrance, CA 90504
(Former address of principal executive offices, including zip code)

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

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

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

None

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

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

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

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

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

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☒

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

As of June 30, 2011, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately $80.1 million, based upon the closing sales price of the registrant's Common Stock on such date, as reported on the Nasdaq Global Market. Shares of Common Stock held by each executive officer, director and each person owning more than 10% of the outstanding Common Stock of the registrant have been excluded in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 9, 2012, the registrant had 11,996,129 shares of common stock outstanding.

Documents Incorporated By Reference Into Part III:

Portions of the definitive Proxy Statement for the Registrant to be filed in connection with its 2012 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

PC MALL, INC.

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PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 strategy, 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 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 upgrades;
- 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, our brand strategy, our efforts to expand our sales of value-added services and solutions offerings, our "daily deals" business model, our new corporate headquarters, our Chicago office, our healthcare vertical market efforts and, our Small Business Network;
- our expectations regarding the potential sale, exchange and/or acquisition of certain real property assets;
- our expectations regarding key executives and management and our ability to retain such individuals
- our competitive advantages and growth opportunities;
- our ability to increase profitability and revenues;
- our expectations to continue our efforts to increase the productivity of our sales force and reduce costs;
- our ability to generate vendor supported marketing;
- our acquisition strategy and the impact of any past or future acquisitions;
- the impact of acquisitions on our financial condition, liquidity and our future cash flows and earnings;
- 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 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 impact on accounts receivable from our efforts to focus on sales in our MME, SMB, 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 belief that the use of extranets has the potential to yield additional sales opportunities and the ability to reach new customer bases;
- 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;
- 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 belief regarding financing of repurchases of our common stock;
- 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 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 1. BUSINESS

General

PC Mall, Inc. is a leading value added direct marketer of technology products, services and solutions to businesses, government and educational institutions and individual consumers. We go to market through our dedicated sales force of over 700 account executives. We also offer our products, services and solutions through our field service teams, various direct marketing techniques and a limited number of retail stores. Since our founding in 1987, we have served our customers in part by offering them multi-branded hardware solutions from leading brands including HP, Apple, Cisco, Microsoft and Lenovo. Through us, these and other manufacturers are able to reach multiple customer segments including consumers, small and medium sized businesses, large enterprise businesses, as well as state, local and federal governments and educational institutions. We add additional value to our manufacturer partners by being able to sell, deliver and incorporate their products and services into comprehensive solutions with a high degree of customization. Our model also facilitates an efficient supply chain and support mechanism for manufacturers by using a combination of direct marketing, centralized selling and support, and centralized product fulfillment.

In 2011, we had five operating segments, SMB, MME, Public Sector, MacMall and OnSale. In the first quarter of 2012, we expect to realign our operating segments by consolidating the OnSale and MacMall segments. We will continue to include corporate related expenses such as legal, accounting, information technology, product management, certain support services and other administrative costs that are not otherwise allocated to our reportable operating segments in Corporate and Other. In 2011, we generated approximately 37% of our revenue in our MME segment, 35% of our revenue in our SMB segment, 13% of our revenue in our MacMall segment, 12% of our revenue in our Public Sector segment and 3% of our revenue in our OnSale segment.

Our SMB segment consists of sales made primarily to small and medium sized businesses, generally with less than 1,000 employees. The SMB segment utilizes an outbound phone based sales force and, where applicable, a field-based sales force, together with an online extranet customized for individual customers that enables them to manage their IT procurement process. In addition, the SMB segment markets to small businesses through its Small Business Network utilizing its own social network site at www.pcmallsbn.com.

Our MME segment consists of sales made primarily to mid-market and enterprise-sized businesses, generally with more than 1,000 employees, under the SARCOM, NSPI and Abreon brands. The MME segment sells complex products, services and solutions, utilizing a field relationship-based selling model, an outbound phone based sales force, a field service 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 historically included sales made under our MacMall brand name via telephone and the Internet to consumers, small businesses and creative professionals.

Our OnSale segment historically included sales made under our OnSale and eCost brand names via the Internet and inbound phone-based sales forces. The OnSale segment has utilized traditional internet marketing as well as our recently developed "daily deals" business model. Beginning in the first quarter of 2011, in response to what we believe to be a rapidly changing way in which consumers shop and go to market, our OnSale segment expanded its business to enter the market for local daily deals through social commerce. As this market and its related customer buying behaviors have continued to evolve, the "daily deals" business model is rapidly expanding to include sales of IT products. In response to these developments, we have determined that our strategic objectives can be best achieved by incorporating the best practices, technologies and methodologies we have developed in our stand alone "daily deals" business into our traditional eCommerce platform and no longer operating a stand alone "daily deals" business.

Over the past several years, our company has grown into a multi-billion dollar enterprise in part through our acquisition (details can be found below) and internal cultivation of many different brands. We have historically differentiated those brands primarily based on the identity of the customers. After careful examination of the markets we serve and the trends taking shape in the marketplace, we have determined that going forward, our commercial customers can benefit from a more unified and streamlined brand strategy. In 2012, we expect to begin the process of unifying our commercial brands. We believe this unification will lead to an improved customer experience, operational synergies and benefits to all of our stakeholders, providing a brand that better represents the value-added solutions provider we are today.

We maintain a Canadian call center serving the U.S. market, which has historically received the benefit of labor credits under a Canadian government program. In 2007, we received an eligibility certificate to participate in the Investment Quebec Refundable Tax Credit for Major Employment Generating Projects (GPCE). In addition to other eligibility requirements, we are required to maintain a minimum of 317 eligible employees employed by our subsidiary PC Mall Canada, Inc. in the province of Quebec at all times to remain eligible to apply annually for these labor credits. As a result of this new certification, we are eligible to make annual labor credit claims for eligible employees equal to 25% of eligible salaries, but not to exceed $15,000 (Canadian) per eligible employee per year, beginning in fiscal year 2008 and continuing through fiscal year 2016. As of December 31, 2011, we had an accrued receivable of $7.0 million related to the 2010 and 2011 calendar years. We expect to file our 2011 claim in 2012 and we expect to receive full payment under our remaining accrued labor credits receivable.

Recent Developments

On February 10, 2012, we announced that we signed a definitive agreement to sell the property we own in Southern California, where one of our retail stores is currently located, for $17.5 million. While there are no guarantees that this transaction will close, we expect to realize a book gain of $15.9 million at the time of closing, which we currently expect to close during the second quarter of 2012. In connection with this sale, we intend to explore potential purchases or exchanges of real estate through Section 1031 of the Internal Revenue Code of 1986, as amended. We expect to effectuate such exchanges through one or more purchases of real property to be used in connection with our business and operations. We expect that any exchanges or purchases we make would benefit us through direct ownership of facilities that are strategic to our operations, reductions in our lease obligations, or other ancillary benefits.

On March 11, 2011, we completed the purchase of real property comprising approximately 184,000 square feet of land, which includes approximately 84,000 square feet of office space located at 1940 East Mariposa Avenue, El Segundo, California, which became our new corporate headquarters effective November 14, 2011. We purchased and have improved this building, located strategically adjacent to the Los Angeles International Airport (LAX), because we want it to be a compelling destination for customers who want to experience new and cutting edge IT solutions in person. The new headquarters was designed to drive higher productivity and efficiency for our employees and to provide a state-of-the-art demo center for our customers and vendor partners, as well as increase capacity to support our growth well into the future. In conjunction with the move, we relocated and substantially upgraded our primary data center from Torrance, CA to our own hosting facility in Atlanta, GA, which incorporates state of the art monitoring and disaster recovery capabilities. As a result of this relocation certain of our subsidiaries now have geographically redundant web and information systems. We are in the process of developing a formal disaster recovery plan for our critical systems.

On February 18, 2011, we acquired certain assets, including approximately $1 million of inventory, of eCOST.com, a subsidiary of PFSweb, Inc., for $2.3 million. eCOST.com is an online marketplace featuring an assortment of product categories, including but not limited to computers, networking, electronics and entertainment, TVs, monitors and projectors, cameras and camcorders, memory and storage, apparel, and sports and leisure items. The website also features a proprietary and patented shopping format, Bargain Countdown®, which amongst other features, offers limited time, limited quantity deals, and supports its premium online membership shopping club. eCOST.com commenced business in 1999 as a subsidiary of PC Mall. In September 2004, eCOST.com completed an initial public offering of approximately 19.8% of its outstanding common stock. In April 2005, we completed a spin-off of eCOST.com by distributing all of our remaining ownership interest in eCOST.com to our stockholders. In February 2006, eCOST.com was acquired by PFSweb in a stock for stock merger.

In June 2010, we completed the acquisition of substantially all of the assets of Network Services Plus, Inc. ("NSPI"). NSPI, primarily a provider of hosted data center and managed IT services in the southeastern United States, had approximately 73 employees as of the closing date, 53 of whom were billable IT resources. NSPI's managed services include hosted and remote managed monitoring of data centers, networks and IT environments, software as a service (SaaS), infrastructure as a service (IaaS), and other project-based offerings.

In October 2008, our Board of Directors approved a discretionary common stock repurchase program for up to $10 million of our common stock in aggregate with all other repurchases made under any repurchase programs following the date of such Board of Directors' approval. This repurchase program effectively superseded an earlier repurchase program adopted in 1996. Under this new 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 this new program will be financed with existing working capital and amounts available under our existing credit facility. 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. During the year ended December 31, 2011, we repurchased a total of 432,012 shares of our common stock under this program for a total cost of $2.6 million. From the inception of the program in October 2008 through December 31, 2011, we had repurchased an aggregate total of 1,956,506 shares of our common stock for a total cost of $8.7 million. The repurchased shares are held as treasury stock.

Strategy

Our strategy is to be a value added single source provider of information technology products, services and solutions for our customers. Historically, we implemented our strategy as a rapid response, high volume, cost-efficient direct marketer of multi-branded, competitively-priced information technology products and services, while providing a high level of support to our customers. More recently, as we have added more service capabilities to our offerings to customers, we have become more focused on the return on investment (ROI) that our customers can generate by partnering with us. We believe our model is a compelling combination of technology hardware, services and solutions, highly efficient fulfillment engines and centralized back-office functions that enables us to provide significant value to our customers. The key elements of our strategy to profitably grow our revenues are discussed below.

Expand Our Client Base and Further Penetrate Our Existing Client Base

During 2011, as commercial, governmental and consumer IT spending continued at a more normalized rate, we continued to invest in people, processes and systems to enable us to attract new clients and also gain share within our current client base and in incremental markets. For example:

- The Small Business Network at www.pcmallsbn.com, is an innovative, social media platform designed to drive demand in businesses with fewer than 100 employees. This is the largest segment of businesses in the U.S. market, but has historically been difficult and expensive to reach. By utilizing viral marketing and social media, we believe that the Small Business Network gives us a unique platform to drive demand from these small businesses. In 2011, we grew the number of active members of the Small Business Network to over 51,000 small businesses. While revenues were modest through this site in 2011, our long-term goal is to create a compelling value for those businesses to shift their IT purchases to this network.

- We continued to invest in our new Chicago SMB call center. We believe that the excellent pool of qualified account executives available in the Chicago area has allowed us to assemble and maintain a strong local sales team to grow our business with SMB customers. Based on our plan, at the end of 2011, we had 64 outbound account executives at the Chicago SMB location and consistent with our experience in our other outbound call centers, we expect that these account executives will become more productive over time. We also added additional resources to all SMB call centers in 2011 specifically to support the growth of high-end solution sales to SMB clients, and to enable a stronger white space acquisition strategy for solutions.

- Health Dynamix is a vertically integrated team that, while based within our Public Sector segment, supports our SMB, MME and Public Sector segments, each of which serves customers within the healthcare market. The healthcare market is specialized and is changing rapidly and is also one of the fastest growing markets for IT products. In addition, we partnered with HP and MedPlus (a subsidiary of Quest Diagnostics) in an effort to drive sales of Electronic Health Record (EHR) solutions. In support of this effort, during 2011, we invested in significant training for the healthcare oriented sales reps in our commercial teams and continued to publish color catalogs, website content and end user events in the healthcare space. In 2011, we launched a healthcare vertical effort for MacMall, including web marketing, email marketing and end user promotions. On average we saw accelerated growth in the healthcare vertical throughout 2011, and we expect that to continue in 2012 and beyond. We believe our investment in Health Dynamix is enabling us to continue to grow in this important market.

- With the large opportunity in the consumer market space in the United States, in late 2010 we expanded the reach of our consumer brands, OnSale and MacMall, by establishing their presence on leading consumer marketplace websites. We believe that the addition of these marketplace sites to our consumer portfolio will provide access to incremental customers and sales in the consumer space, and positions us for long term growth in that segment.

Our account executives are trained in solution selling, account management and offering high levels of service through a high touch model. Account executives in our SMB, MME and Public Sector segments handle a variety of customer needs, including ongoing customer service, technology assessment and support requirements, operations and procurement processes and other value-added services. We continue to place significant emphasis on increasing the productivity and tenure of our existing sales force through enhanced training and tools, as well as by optimizing our technical pre-sales resources and other support functions. Through these investments we intend to better equip our account executives to evaluate, understand and ultimately deliver solutions that address their customers' IT needs.

Focus on the Growth of Our Value Added Services and Solutions Offerings

Historically, our growth has been driven by growth in hardware and software sales. Increasingly, our commercial customers are consuming IT differently. As a result, they are utilizing more elaborate services and solutions, and we intend to tailor our services and solutions offerings to leverage these market dynamics. We saw solid growth in 2011 for our service offerings across all of our commercial segments. We believe we have a significant opportunity for growth in service sales, and we continued to invest in additional capabilities in our service portfolio in 2011. Our sales of services were in excess of $100 million in 2011, and represented approximately 7% of our overall revenues. Additionally, early in 2012, we enhanced our tools and billing systems with the implementation of new help desk software. We currently have approximately 2,000 people dedicated to our services and solutions business, together with our engineering, sales and solution architects, carry thousands of technical certifications. These professionals add value to our clients through their expertise, knowledge and ability to craft customized solutions, and we expect to continue to add to our service and solutions capabilities going forward. With our experienced engineers, technicians and project managers, combined with a national network of third party service providers, we can provide pre-sales assessments and post-sales services efficiently to our customers in the SMB, mid-market/enterprise and public sector markets.

We work with our customers to identify areas where they can gain efficiencies by outsourcing what would have been traditional IT functions to us, including help desk support, deployment, project management, hosting, and related IT functions. In 2011, we significantly enhanced our value proposition in the areas where we believe companies are increasingly investing. Specifically, we are focused on solutions around the data center (which includes storage and security solutions), cloud computing, collaboration, virtualization, secure mobility, borderless networks and enterprise software solutions. Our services are available to our commercial and public sector customers and span the entire IT life cycle. These services include:

- Assessment & Planning Services
- Data Center Hosting Services
- Software Hosting Services
- Remote Systems Monitoring & Management
- IMAC & Deployment Services
- End-User Desktop Services
- Managed Print Services
- Recycling & Disposal Services
- Change Management Consulting Services
- Training
- Project Management
- Design and consulting

Further Strengthen Our Partnerships With Key OEMs and Publishers

We believe it is important to maintain relationships with key OEMs and publishers such as Apple, Cisco, HP, Lenovo and Microsoft, and other key partners on a company-wide basis. We believe our relationships with key partners give us increased visibility and legitimacy in the minds of our customers. Our long-standing relationships with important vendor partners provide us key insights related to new and existing products, product roadmaps and industry dynamics and help to ensure that our sales organization is knowledgeable and well positioned to understand and market new and emerging technologies to our customers.

In 2011, we believe we maintained or increased our position with each of our key vendor partners. We continued to invest in sales and technical competencies to drive solutions-centric sales to commercial customers. We added a number of specializations with certain of our top partners such as Apple, Cisco, HP, and Microsoft to align us with their strategic growth focus. We continued to enhance our training programs, our compensation plans and our marketing activities to support our growth plans with these key partners. We expect to continue to invest in these important capabilities as we strive to add additional value to our manufacturer partners by being able to sell, deliver and incorporate their products and services into comprehensive solutions with a high degree of customization.

Increase Operational Efficiencies

We utilize a centralized infrastructure for our back-office capabilities. In order to free our sales and marketing organizations to focus on their customers and on their growth, we maintain centralized IT, finance, human resources, and other functions. Some of these functions are located in the Philippines, which provides us a cost advantage. We believe that by leveraging a centralized model to perform back-office functions we may achieve a more efficient overall cost structure and ability to introduce new tools to our sales organizations.

We are an early adopter of eCommerce technology and have acquired significant expertise in the development and marketing through this channel. We utilize our public websites to provide our customers with easy and convenient shopping, ordering and tracking tools. Our extranet sites (CAP and Ops Track), which are customized extranets for commercial and public sector customers, provide these same capabilities along with custom catalogs, pricing, security, asset management and workflow configurable to the customers' needs. We believe having sophisticated eCommerce capabilities facilitates customer acquisition and retention, and we leverage our shared services model to attempt to replicate best practices among our sales organizations.

We are currently upgrading many of our IT systems. We have purchased licenses for workflow software, web development tools and Microsoft Dynamics AX (Axapta) to upgrade our ERP systems. We initiated the implementation and upgrade of our eCommerce system in the second half of 2008 and have completed and launched a new generation of our public sites at macmall.com, onsale.com and pcmall.com. We are currently working on the implementation of the ERP modules and the upgrade of the ERP systems, including additional enhancements and features. We completed the initial phase of the implementation in January 2010, and we expect to be complete with all phases of the implementation of the ERP systems by 2013. We believe the implementation and upgrade should help us to gain further efficiencies across our organization.

Selectively Pursue Strategic Acquisitions

One element of our business strategy involves expansion through the acquisition of businesses, assets, personnel or technologies that allow us to complement our existing operations expand our market coverage or add new business capabilities. Our market, broadly defined as the technology reseller channel, has undergone significant consolidation over the past 15-20 years. While we believe that the fragmented nature of the technology reseller industry and industry consolidation trends may continue to present acquisition opportunities for us, these trends may make acquisitions more competitive.

We continually evaluate and explore strategic opportunities as they arise, including business combination transactions, strategic partnerships and the purchase or sale of assets. We may choose to pursue acquisitions for several reasons. For instance, we may pursue acquisitions that will broaden our capabilities in IT services. We may also choose to pursue acquisitions that will enable us to further penetrate or enter geographies we deem attractive. We evaluate acquisition opportunities based on our assessment of several factors, including the perceived value of the opportunity, our available financing sources and potential synergies of the acquisition target with our business. Our implementation of 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. Our ability to complete acquisitions in the future will depend on our ability to fund such acquisitions with our internally available cash, cash generated from operations, amounts available under our existing credit facilities, additional borrowings or from the issuance of additional securities.

Sales and Marketing

Sales Activities. We believe that much of our success has come from the quality screening and training of our account executives. Account executives handle a variety of customer needs, including ongoing customer service, technology assessment and support requirements, operations and procurement processes and other value-added services in our SMB, MME and Public Sector segments. Account executives are responsible for assisting customers in purchasing decisions, answering product pricing and availability questions and processing product orders, but more importantly, they are responsible for proactively reaching out to their existing and prospective clients and assessing if there are technology opportunities where they can provide value. They must profile accounts, identify and build relationship with all decision makers and influencers within their account base, and are responsible for growing the number of product and service categories where we partner with their customers; account executives have the authority to vary prices within specified parameters in order to be competitive. To ensure that the account executives are not bogged down in administrative tasks, they undergo an initial sales training program focusing on use of our systems, product offerings and networking solutions, sales techniques, and customer service. There is also a support team backing up the account executives so that mundane, low value tasks are handled by less expensive administrative resources, leaving account executives to spend their time selling and prospecting. Our phone and computer systems are used for order entry, customer tracking and inventory management. We use a proprietary customer relationship management system for our outbound account executives to assist them with prospecting and account management functions. We also use a customer acquisition, retention and development program to support the ability of our outbound account executives to sell across more product categories.

To ensure that they are able to effectively sell all products and solutions, account executives also attend regular training sessions to stay up-to-date on new products. Account executives are also supported by "product champions" that are housed in our centralized back office organization, but are accessible through a work flow tool, and are sitting on the sales floor with the account executives, to assist them with product questions and solutions support or other product specific issues. We also require the account executives to acquire sales technical certifications or key technologies, such as VMware or Microsoft, to ensure that they are credible and competent to their customers when proposing these solutions.

We frequently enhance our tools to support our sales activities. During 2011, we worked diligently to develop and prepare for the implementation of our new CRM and order entry platform that would preserve the capability we have today, but also better leverage the technology enhancements available for a cleaner user interface. In addition, in 2011, we were able to provide our account executives better campaign management through the implementation of Lattice Engines and better configuration support for HP and Cisco solutions through the implementation of Exalt. Generally, these tools enable our account executives and sales managers to utilize a number of metrics and analytics from which incremental opportunities can be identified within specific customer accounts or an account executive's entire book of business. This capability provides a solid foundation from which our account executives can expand their customer account penetration and drive incremental revenue and profitability.

We address the needs of our MacMall customers through inbound account executives, who are trained to support the product needs and the order management requirements of the customer. The account executives are managed to efficiently handle inquiries, while managing their ability to process orders rapidly and address customer service issues. The inbound sales force has access to phone-based technical and customer service resources to ensure a 24/7 ability to handle customer needs. MacMall also has an outbound sales force which calls on Apple's Mac product oriented businesses with less than 50 employees and generally less than 20 employees. We believe that this is a large and growing segment, and that MacMall's unique capabilities in Apple's Mac product environment make for a strong value proposition in acquiring and servicing these small businesses particularly as Apple's market share grows.

Marketing Activities. We design our marketing programs to attract new customers and to stimulate additional purchases by existing customers. Our marketing programs are tailored for MacMall, SMB, MME and public sector customers. We utilize sophisticated analytic tools designed to manage marketing campaigns using different media channels and to optimize campaigns through advanced data mining techniques. The analytic tools combine optimization techniques with multiple models to more effectively match offers to individuals and businesses in an effort to provide the most profitable results.

Vendor Supported Marketing. We provide vendor supported custom marketing campaigns for vendor partners that may include outbound call campaigns, webinars for end users, lead campaigns, seminars for end users, promotional offers, sell advertising space in our catalogs and on our websites and offer trade-in and trade-up programs. We also work collaboratively with our vendor partners and use vendor funding to help offset portions of the costs of marketing promotions, direct mail offers, customer trainings and events and e-marketing or sales incentives which are each based on market opportunity and the vendors' needs. We also develop marketing campaigns designed to maximize product sales and we receive funds from our vendors in the form of volume incentive rebates and other programs.

Proprietary Websites. We operate several websites, including pcmall.com, macmall.com, pcmallgov.com, sarcom.com, abreon.com, nspi.com, onsale.com, ecost.com, healthdynamix.com and pcmallsbn.com. Our websites offer features such as on-line ordering, access to inventory availability and a large product selection with detailed product information. We also maintain and operate commercial, customized extranets to provide custom catalogs and online purchasing channels for commercial and public sector customers and their employees. These extranet sites are designed to enhance sales productivity by allowing customers to perform routine tasks online, freeing the associated account executive's time for other tasks.

Direct Marketing. We selectively mail catalogs to existing and prospective customers, advertise on the Internet and, to a limited extent, advertise in certain major computer magazines. We obtain the names of prospective customers through selected mailing lists acquired from various sources, including manufacturers, suppliers and computer magazine publishers. We also send direct marketing mailers to selected target audiences to drive sales to new and existing customers.

We create our marketing materials in-house with our own design team and production artists. We believe the in-house preparation of catalogs, advertisements, and promotional materials streamlines the production process, provides greater flexibility and creativity in catalog production and results in significant cost savings over outside production.

Online Marketing. eCommerce marketing programs and capabilities, such as affiliate marketing, search engine optimization, email and search engine marketing, are essential components of our customer acquisition and retention strategy. In 2011, we continued to invest in web merchandising resources and skills and enhanced our eCommerce technology to increase the efficiency of these online marketing vehicles and to fine tune the use of these vehicles based on projected profitability. A significant focused investment in 2011 was the development of a new extranet for PC Mall, which is set to launch to customers in early 2012. This extranet allows our business customers to have their own custom site with customer-specific pricing, ordering and security to cut their procurement costs and simplify the ordering process.

Products and Merchandising

We offer technology products, services and solutions, as well as consumer electronics equipment and other consumer products. We screen and select new products and manufacturers based on the market opportunity and technology adoption trends within our targeted customer markets. We also consider product attributes like features, quality, sales trends, price, margins, market development funds and warranties. We offer our customers other value-added services, such as custom configured systems, software licensing asset management, image management, and product asset tagging and asset disposal services.

Through frequent mailings of our catalogs and e-mails to our customers, we believe we are able to quickly introduce new products and replace slower selling products with new products. We also use various marketing materials, web training and local events to educate our customers on solutions and more complex technologies and to provide other content to describe technology applications and how they will benefit the customer. Through these materials and activities, we showcase the full breadth of the products and solutions we sell in an effort to provide our customers with a single source for all their technology needs.

The following table sets forth our net sales by major categories as a percentage of total net sales for the periods presented, determined based upon our internal product code classifications.

	Years Ended December 31,		
	2011	2010	2009
Notebooks	21.8%	19.6%	15.8%
Software	16.6	16.6	16.9
Desktop	10.1	10.0	9.4
Networking	6.9	7.6	7.7
Professional services	7.3	6.0	6.8
Storage	4.5	5.8	8.0
Displays	4.8	4.4	4.0
iPods/MP3	3.7	3.9	4.1
Manufacturer service and warranty	3.4	3.7	4.2
Servers	3.6	3.6	3.3
Printers	2.3	2.7	3.2
Accessories	3.0	2.6	2.7
Supplies	1.8	2.4	3.2
Power	2.3	2.2	2.1
Input devices	2.2	1.9	2.2
Memory	1.6	1.8	1.6
Consumer electronics	1.2	1.2	1.5
Other (1)	2.9	4.0	3.3
Total	100.0%	100.0%	100.0%

(1) Other consists primarily of other electronic products, income from miscellaneous items, and other consumer products.

Service Offerings for Commercial and Public Sector Markets

Our sales of services were in excess of $100 million in 2011 and represented approximately 7% of our overall revenues. Additionally, early in 2012, we enhanced our tools and billing systems with the implementation of new help desk software. We currently have approximately 2,000 people dedicated to our services and solutions business and together with our engineering, sales and solution architects, carry thousands of technical certifications. These professionals add value to our clients through their expertise, knowledge and ability to craft customized solutions, and we expect to continue to add to our service and solutions capabilities going forward. With our experienced engineers, technicians and project managers, combined with a national network of third party service providers, we can provide pre-sales assessments and post-sales services efficiently to our customers in the SMB, mid-market/ enterprise and public sector markets.

We work with our customers to identify areas where they can gain efficiencies by outsourcing what would have been traditional IT functions to us, including help desk support, deployment, project management, hosting, and related IT functions. In 2011, we significantly enhanced our value proposition in the areas where companies are increasingly investing. Specifically, we are focused on solutions around the data center (which includes storage and security solutions), cloud computing, collaboration, virtualization, secure mobility, borderless networks, enterprise software solutions. Our services are available to our commercial and public sector customers and span the entire IT life cycle.

With our acquisition of NSPI in June 2010, we further enhanced our services portfolio with hosted data center and managed IT service capabilities. NSPI services are now offered nationwide through over 30 branch locations.

Our launch of the Health Dynamix brand into the healthcare market in June 2010 broadened our services portfolio to include support of electronic health record (EHR) adoption, assisting physicians in achieving meaningful utilization as defined by the US government. Participating physicians are now able to take advantage of EHR funds allocated by the American Recovery and Reinvestment Act.

To better support our customers and as a reflection of our focus on customer satisfaction, we have grown to over 800 certified engineers, technicians and project managers providing on-site support to our clients. They support a wide variety of technology solutions and services, and are augmented by a nationwide network of service providers that act as our subcontractor to increase our reach into all geographical markets.

Our engineers, sales and solution architects are experts in their field who collectively hold thousands of technical certifications. With regular training to maintain and expand these certifications and authorizations, we continue to serve our most forward-thinking clients, helping them optimize their IT environments and meeting their service and support requirements.

Along with our strong industry relationships with Apple, Cisco, HP, Microsoft, Lenovo and others, we continue to utilize our relationships with third party service contractors when we do not have in-house capabilities to deliver the most appropriate solution for our customers. Our IT services, whether they are delivered by us or through our partners, complement our offerings, and we strive to develop complete solutions that lead to growth and success.

Purchasing and Inventory

Effective purchasing is a key element of our strategy to provide name brand computer products and related software and peripherals at competitive prices. We believe that our high volume of sales results in increased purchasing power with our primary suppliers, resulting in volume discounts, favorable product return policies and vendor promotional allowances. Products manufactured by Apple represented approximately 21%, 21% and 19% of our net sales in 2011, 2010 and 2009. Products manufactured by HP accounted for 20%, 20% and 19% of our net sales in 2011, 2010 and 2009. We are also linked electronically with 17 distributors and manufacturers, which allows our account executives to view applicable product availability online and drop-ship those products directly to customers. The benefits of this program include reduced inventory carrying costs, higher order fill rates and improved inventory turns.

Many of our vendor partners provide us with market development funds to assist in the active marketing and sales of their products. Such funds help offset portions of the cost of catalog publication and distribution based upon the amount of coverage given in the catalogs for their products, as well as other costs incurred to market their products. Termination or interruption of our relationships with our vendors, or modification of the terms of or discontinuance of our agreements with our vendors, could adversely affect our operating results. Our success is dependent in part upon the ability of our vendors to develop and market products that meet the changing requirements of the marketplace. As is customary in our industry, we have no long-term supply contracts with any of our vendors. Substantially all of our contracts with our vendors are terminable upon 30 days' notice or less.

We attempt to manage our inventory to optimize order fill rate and customer satisfaction, while limiting inventory risk. Inventory levels may vary from period to period, due in part to increases or decreases in sales levels, our practice of making large-volume purchases when we deem the terms of such purchases to be attractive and the addition of new manufacturers and products. We have negotiated agreements with many of our vendors that contain price protection provisions intended to reduce our risk of loss due to manufacturer price reductions. We currently have such rights with respect to certain products that we purchase from Apple, HP and certain other vendors; however, rights vary by product line, have conditions and limitations and generally can be terminated or changed at any time.

The market for information technology products, solutions and services is characterized by rapid technological change and growing diversity. We believe that our success depends in large part on our ability to identify and obtain the right to market products, solutions and services that meet the changing requirements of the marketplace and to obtain sufficient quantities to meet changing demands. There can be no assurance that we will be able to identify and offer products, solutions and services necessary to remain competitive or avoid losses related to excess or obsolete inventory.

Backlog

Our backlog generally represents open, cancelable orders and may vary significantly from period to period. We do not believe that backlog is useful for predicting our future sales.

Distribution

We operate a full-service 212,000 square foot distribution center in Memphis, Tennessee, an 84,640 square foot warehouse facility in Columbus, Ohio and a 20,254 square foot warehouse facility in Irvine, California. The Memphis warehouse is our primary distribution center and is strategically located near the FedEx main hub in Memphis, which allows most orders of in-stock products accepted by 10:00 p.m. Eastern Time to be shipped for delivery by 10:30 a.m. the following day via FedEx priority, if requested by the customer. Upon request, orders may also be shipped at a lower cost using other modes of transportation such as FedEx standard, FedEx overnight, FedEx ground, United Parcel Service ground delivery or the United States Postal Service. The Columbus and Irvine warehouses primarily function as custom configuration and distribution centers for our corporate customers. We believe that our existing distribution facilities are adequate for our current and foreseeable future needs.

When an order is entered into our systems, a credit check or credit card verification is performed, and if approved, and the product is in stock, the order is electronically transmitted to the warehouse for order fulfillment. Inventory items are bar coded and located in computer-designated areas which are easily identified on the packing slip. Orders are checked with bar code scanners prior to final packing to ensure that each order is packed correctly.

We also have electronic purchasing and drop shipping systems for products that are not in stock at our distribution centers. Seventeen distributors and manufacturers are linked to us electronically to provide inventory availability and pricing information. We transmit orders electronically for immediate shipment via an electronic interchange to the selected distributor after considering inventory availability, service level, price and location. This capability has historically allowed us to ship a high percentage of orders on the same day that they are received.

Management Information Systems

We have committed significant resources to the development of sophisticated computer systems that are used to manage our business. Our computer 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 personal computers across all of our U.S. and foreign 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 systems on a regular basis, which could require significant capital expenditures.

We are currently upgrading many of our IT systems. We have purchased licenses for Microsoft Dynamics AX (Axapta) and other related tools, such as workflow software, web development tools and other related items, to upgrade our ERP and eCommerce systems. We initiated the implementation and upgrade of our eCommerce system in the second half of 2008 and have completed and launched a new generation of our public sites at macmall.com, onsale.com, ecost.com and pcmall.com. We are currently working on the implementation of the ERP modules and the upgrade of the ERP systems, including additional enhancements and features, and we expect to be complete with all phases of the implementation of the ERP systems by 2013. We believe the implementation and upgrade should help us to gain further efficiencies across our organization. Based on our estimates, which are subject to change, we currently expect to incur a total cost of up to $14 million for all these IT system upgrades. To date, we have incurred approximately $10.8 million of such costs. In addition to the above expenditures, we expect on an ongoing basis to make periodic upgrades to our IT systems.

In addition to the upgrades to our IT systems, in July 2008, we entered into an agreement with Cisco Systems for the purchase and implementation of various solutions to upgrade our current infrastructure for up to approximately $4.6 million. The purchase is financed through a capital lease over a five year term. Our plan is to provide a unified platform for our entire company and to provide a robust and efficient contact center. We completed the implementation of the Cisco solution across all of our locations in the second quarter of 2011.

Our success is dependent on the accuracy and proper utilization of our management information systems and our telephone system. In addition to the costs associated with system upgrades, the transition to and implementation of new or upgraded hardware or software systems 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 have had a contract for the last three years with a third party service provider that specializes in maintenance and support of both hardware and operating system, to provide us adequate support until the completion of the upgrade of our management information system, which is expected to be completed by 2013. Any interruption, corruption, degradation or failure of our management information systems or telephone system could adversely impact our ability to receive and process customer orders on a timely basis.

We have recently relocated our company headquarters and main data center from Torrance, California to El Segundo, California. As a result of this relocation, we have upgraded our infrastructure and provided geographical redundancy for critical systems that were operating from Torrance. The geographical redundancy is provided through our newly upgraded data center in El Segundo, California and our own hosting facility in Atlanta, Georgia. The two data centers now provide geographically redundancy for certain critical systems. We will have more streamlined primary/secondary in the future as we migrate from legacy to new ERP.

Retail Stores

We currently operate four retail stores, located in Huntington Beach, Santa Monica and Torrance, California and Chicago, Illinois, whose target customers are consumers and small businesses residing or located in the local areas. We opened the new retail store in Huntington Beach, California in November 2011 and the new retail store in Chicago, Illinois in March 2012. The retail stores operate under the MacMall brand and they are able to extend the reach of the Apple brand into markets where Apple does not currently have a retail location.

Competition

The business of selling information technology products, solutions and services is highly competitive. We compete with a variety of companies that can be divided into several broad categories:

- other direct marketers, including CDW, Insight Enterprises and PC Connection;
- large value added resellers such as CompuCom Systems, Pomeroy IT Solutions and World Wide Technology;
- government resellers such as GTSI, CDWG and GovConnection;
- computer retail stores and resellers, including superstores such as Best Buy and Staples;
- 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;
- software focused resellers such as Soft Choice and Software House International; and
- other direct marketers and value added resellers of information technology products, solutions and services.

Barriers to entry are relatively low in the direct marketing industry, and the risk of new competitors entering the market is high. The markets in which our retail stores operate are also highly competitive.

Competition in our market is based on various factors, including but not limited to, price, product selection, quality and availability, ease of doing business, customer service, and brand recognition.

The manner in which the products, solutions and services we sell are distributed and sold is continually changing, and new methods of sales and distribution have emerged. Information technology resellers are consolidating operations and acquiring or merging with other resellers to achieve economies of scale and increased efficiency. Our largest manufacturers have sold, and continue to sell, their products directly to customers. To the extent additional manufacturers adopt this selling format or this trend becomes more prevalent, it could adversely affect our sales and profitability. In addition, traditional retailers have entered and may increase their penetration into direct marketing and the SMB market. The current industry reconfiguration and the trend toward 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.

Although many of our competitors have greater financial resources than we do, we believe that our ability to offer SMB, mid-market/enterprise, public sector and consumer customers a wide selection of products, solutions and services, at competitive prices, with prompt delivery and a high level of customer satisfaction, together with good relationships with our vendors and suppliers, allows us to compete effectively. We compete not only for customers, but also for favorable product allocations and cooperative advertising support from product manufacturers. Some of our competitors could enter into exclusive distribution arrangements with our vendors and deny us access to their products and solutions, devote greater resources to marketing and promotional campaigns and devote substantially more resources to their websites and systems development than we can. New technologies and the continued enhancement of existing technologies also may increase competitive pressures on us. Some of our competitors have reduced their prices in an attempt to stimulate sales. If competition or technological changes cause the prices of our products, solutions and services to decrease, we must increase the quantity of the products, solutions and services we sell to achieve the same level of net sales and gross profit. If prices decrease and we are unable to attract new customers and sell increased quantities, our sales and profitability could be adversely affected. There can be no assurance that we can continue to compete effectively against existing or new competitors that may enter the market. We believe that competition may increase in the future, which could require us to adopt competitive pricing strategies, which could include reduced prices or a decision not to raise prices to offset any cost increases; increase advertising expenditures; or take other competitive actions that may have an adverse effect on our operating results.

Intellectual Property

We rely on a combination of laws and contractual restrictions with our employees, customers, suppliers, affiliates and others to establish and protect our proprietary rights. Despite these precautions, it is possible that third parties may copy or otherwise obtain and use our intellectual property, including using our trademarks or domain names, without authorization. Although we regularly assert our intellectual property rights when we learn that they are being infringed, these claims can be time-consuming and may require litigation and administrative proceedings to be successful. We have numerous trademarks and service marks that we consider to be material to the successful operation of our business. The most important are PC Mall, SARCOM, MacMall, OnSale, and Abreon, which we currently use in connection with telephone, mail order, catalog and/or online retail services. We have registrations for PC Mall and MacMall in the United States and in numerous foreign jurisdictions for telephone, mail order, catalog and/or online retail services.

Third parties have asserted, and may in the future assert, that our business methods or the technologies we use infringe their intellectual property rights. We may be subject to intellectual property claims and legal proceedings in the ordinary course of our business. If we are forced to defend against any third-party infringement claims, we could face expensive and time-consuming litigation and 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 business methods or technologies that are found to be infringing. 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 business methods or technology, which could be costly and time-consuming, or enter into costly royalty or licensing agreements.

Third parties have in the past, and may in the future, hire employees who have had access to our proprietary technologies, processes and operations. This exposes us to the risk that former employees will misappropriate our intellectual property.

Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Any litigation, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, which could materially harm our business.

Segment Reporting Data

Operating segment and principal geographic area data for 2011, 2010 and 2009 are summarized in Note 14 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report, which is incorporated herein by reference.

Employees

At December 31, 2011, we had 2,985 full-time and 93 part-time employees, consisting of 1,965 in the United States, 378 in Canada and 735 in the Philippines. We emphasize recruiting and training high-quality personnel and, to the extent practical, promote people to positions of increased responsibility from within the company. Many employees initially receive training appropriate for their position, followed by varying levels of training in computer technology, communication and leadership. New account executives participate in an intensive sales training program, during which time they are introduced to our business ethics and philosophy, available resources, products and services, as well as basic and advanced sales skills. Training for specific product lines and continuing education programs are conducted on a regular basis, supplemented by vendor-sponsored training programs for account executives and technical support personnel.

We consider our employee relations to be good. None of our employees is represented by a labor union, and we have experienced no work stoppages.

Regulatory and Legal Matters

Our direct response business is subject to the Mail or Telephone Order Merchandise Rule and other related regulations promulgated by the Federal Trade Commission and it is also subject to other laws and regulations applicable to access to or commerce on the Internet. 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 of the federal government related to companies that sell to the federal 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 believe we are currently in compliance with such laws and regulations and 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. 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 operations. Due to the increasing popularity and use of the Internet, it is likely that new laws and regulations will be adopted with respect to the Internet, including laws and regulations that may impose additional restrictions or burdens on our business. Moreover, the growth and development of the market for Internet commerce could prompt calls for more stringent consumer protection laws that, if enacted, could impose additional restrictions or burdens on us and other companies conducting business over the Internet. In addition to imposing restrictions or burdens on our business, the adoption of any additional laws or regulations with respect to the Internet may decrease the growth of Internet usage, which, in turn, could decrease the demand for and growth of our Internet-based sales.

Based upon current law, certain of our subsidiaries currently collect and remit sales and 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. Various state taxing authorities have sought to impose on direct marketers with no physical presence in the taxing state the burden of collecting state sales and use taxes on the sale of products or services shipped or sold to those states' residents, and it is possible that such a requirement could be imposed in the future. In addition, a number of bills may be introduced or are pending before federal and state legislatures that would potentially expand our tax collection or reporting responsibility. Until these legislative efforts have run their course and the courts have considered and resolved some cases involving these tax collection and reporting issues, there can be no assurance that future laws or interpretations of existing laws imposing 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 of operations and financial condition.

In addition, we and our subsidiaries may be subject to state or local taxes on income or (in states such as Kentucky, Michigan, Ohio, Texas or Washington) 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.

Available Information

Our corporate website address is www.pcmall.com. We are subject to the informational requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and file or furnish reports, proxy statements, and other information with the Securities and Exchange Commission ("SEC"). We make our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and all amendments to these reports, if any, available free of charge on our corporate website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. We have also adopted a code of conduct and ethics that applies to our directors, officers and employees which is available on our website. The information contained on our website is not part of this report or incorporated by reference herein.

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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 systems.

We have committed significant resources to the development of sophisticated computer systems that are used to manage our business. Our computer 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 personal computers across all of our U.S. and foreign 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 systems on a regular basis, which could require significant capital expenditures.

We are currently upgrading many of our IT systems. We have purchased licenses for Microsoft Dynamics AX (Axapta) and other related tools, such as workflow software, web development tools and other related items, to upgrade our ERP and eCommerce systems. We initiated the implementation and upgrade of our eCommerce system in the second half of 2008 and have completed and launched a new generation of our public sites at macmall.com, onsale.com, ecost.com and pcmall.com. We are currently working on the implementation of the ERP modules and the upgrade of the ERP systems, including additional enhancements and features, and we expect to be complete with all phases of the implementation of the ERP systems by 2013.

In addition to the upgrades to our IT systems, in July 2008, we entered into an agreement with Cisco Systems for the purchase and implementation of various solutions to upgrade our current infrastructure for a total cost of approximately $4.6 million. The purchase is financed through a capital lease over a five year term. We believe these upgrades have provided us with a unified platform for our entire company and a robust and efficient contact center. We completed the implementation of the Cisco solution across all of our locations in the second quarter of 2011.

Our success is dependent on the accuracy and proper utilization of our management information systems and our telephone system. In addition to the costs associated with system upgrades, the transition to and implementation of new or upgraded systems 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 have had a contract for the last three years with a third party service provider, who specializes in maintenance and support of both hardware and operating system, to provide us adequate support until the completion of the upgrade of our management information system, which is expected to be completed by 2013.

In addition to the specifically discussed IT and phone system upgrades discussed above, 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 our management information 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 IT 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.

An important element of our business strategy is to increasingly focus on SMB, MME and Public Sector sales. 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, SMB, MME and Public Sector entities generally reduced, often substantially, their rate of information technology spending. Additionally, these recent weak economic conditions and consumer confidence resulted in a decline in consumer spending on technology and related consumer goods. 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, such as those currently occurring for example in the Middle East, 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, HP, IBM, Lenovo, Microsoft and Dell. For example, products manufactured by Apple accounted for approximately 21%, 21% and 19% of our total net sales for 2011, 2010 and 2009, and products manufactured by HP accounted for approximately 20%, 20% and 19% of our total net sales for 2011, 2010 and 2009. 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 Adobe, Apple, Cisco, Dell, HP, IBM, 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, 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 the full retail line of HP and Apple products, HP and Apple 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 or build new vendor relationships, 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. 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. In general, we agree to offer products through our catalogs and on our websites and the vendors agree to provide us with information about their products and honor our customer service policies. If we do not maintain our existing relationships or build new relationships with vendors on acceptable terms, including favorable product pricing and vendor consideration, we may not be able to offer a broad selection of products or continue to offer products at competitive prices. In addition, some vendors may decide not to offer particular products for sale on the Internet, and others may avoid offering their new products to retailers offering a mix of close-out and refurbished products in addition to new products. 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. Any such termination or the implementation of such changes, 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. During the recent economic downturn, we experienced increasing price competition, which had 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 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 such as our daily deals offerings and the use of social commerce to drive sales;
- 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;
- the relative mix of products, services and solutions sold during the period;
- 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 SMB, MME 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 SMB, MME 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 SMB, MME 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, our MME, and to some extent, our SMB 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 investments in our outbound phone-based sales force model 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. We cannot assure you that any of our investments in our outbound phone-based sales force 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 (in states such as Kentucky, Michigan, Ohio, Texas or Washington) 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 of the federal government related to companies that sell to the federal 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.

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.

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 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 expansion through the acquisition 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 consummate any pending or future acquisitions or that we will realize any anticipated benefits from these acquisitions. We may not be able to find suitable acquisition opportunities that are available at attractive valuations, if at all. 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.

Significant negative industry or economic trends, including decreases in our market capitalization, slower growth rates or lack of growth in our business, resulted in write-downs and impairment charges in fiscal 2008 and 2011. While no such write-downs or charges occurred in fiscal 2009 or fiscal 2010, if such occur in the future it may indicate that additional impairment charges are required. If we are required to record additional 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:

- 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,
- the amount and timing of advertising and marketing costs;
- 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;
- fluctuations in the demand for our products, services or solutions or overstocking or under-stocking of our products;
- introduction of new or enhanced products, services or solutions by us or our competitors;
- fluctuations in shipping costs, particularly during the holiday season;
- changes in the amounts of information technology spending by our customers;
- economic conditions;
- foreign currency exchange rates;
- changes in the mix of products, services or solutions that we sell;
- fluctuations in levels of inventory theft, damage or obsolescence that we incur; and
- fluctuations in mail-in rebate redemption 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 (e.g., computer hardware, software and consumer electronics), 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.

Recently, there were substantial disruptions in the capital and credit markets related to the global economic environment. While we were recently able to renew our credit facility on terms acceptable to us, economic volatility and geopolitical uncertainty could result in further 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 has historically been funded through borrowings under our credit facility, which functions as a working capital line of credit and bears interest at variable rates, tied to the LIBOR or prime rate. In connection with and as part of the line of credit, we also entered into a term note, bearing interest at the same rate as our credit facility but which we currently expect to pay in full in the event our recently announced sale of our retail building in Santa Monica closes in accordance with the terms of the related purchase and sale agreement. We have also entered into financing arrangements with variable interest rates in connection with our acquisition of real property. 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 websitesorour 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 2012, we expect to begin the process of unifying our commercial brands. While we believe this unification will lead to an improved customer experience, operational synergies and benefits to all of our stakeholders, we are unable to quantify any synergies or expected 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 the ongoing tightness in the credit markets 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 ordered through our catalogs and websites 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, including fraudulent credit card transactions.

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.

We may be liable for misappropriation of our customers' personal information.

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 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 telephone system, are not fully redundant, and we do not have redundant geographic locations or earthquake insurance. Further, California periodically experiences power outages as a result of insufficient electricity supplies. These outages may recur in the future and 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. Our daily deals offerings compete with larger market participants such as Groupon and LivingSocial. In the direct marketing, daily deal 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 has historically received the benefit of labor credits under a Canadian government program. In 2007, we received an eligibility certificate to participate in the Investment Quebec Refundable Tax Credit for Major Employment Generating Projects (GPCE), replacing the prior government subsidy program which ended at the end of 2007. In addition to other eligibility requirements under the replacement program, which extends through fiscal year 2016, we will be required to maintain a minimum of 317 eligible employees employed by our subsidiary PC Mall Canada, Inc. in the province of Quebec at all times to remain eligible to apply annually for these labor credits. 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.

In 2005, we opened 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. Our limited operating history in the Philippines, as well as 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal facilities at December 31, 2011 were as follows:

Description	Sq. Ft.	Location
Main Distribution Center	212,000	Memphis, TN
SARCOM Headquarters, Sales Office and Warehouse/Distribution Center	144,000	Lewis Center, OH
PC Mall Corporate Headquarters and Sales Office	83,864	El Segundo, CA
Irvine Sales Office and Warehouse/Distribution Center	60,072	Irvine, CA
Canadian Office	45,128	Montreal, Quebec
Chicago Office	28,074	Chicago, Illinois
Philippines Office	25,134	Mandaluyong City, Philippines
Retail Store — Torrance	10,018	Torrance, CA
Retail Store — Santa Monica	9,750	Santa Monica, CA
Retail Store — Huntington Beach	6,000	Huntington Beach, CA
Wisconsin Sales Office	4,887	Menomonee Falls, WI

We lease each of our principal facilities, except for the PC Mall Corporate Headquarters and Sales Office and the Santa Monica, California retail store, both of which we own. Our distribution centers include shipping, receiving, warehousing and administrative spaces. All of our segments, except our MacMall and OnSale segments, use all the properties described above. Our MacMall and OnSale segments use each of the properties described above except for the Lewis Center, Ohio office, the Irvine, California office and the Menomonee Falls, Wisconsin office. Further, our OnSale segment does not use any of the retail stores. In addition to the properties listed above, we lease sales offices in various cities in the U.S.

In March 2012, we opened a 6,211 square feet, new retail store in Chicago, Illinois. This space is leased.

ITEM 3. 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, including the litigation discussed above, 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 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been publicly traded on the Nasdaq Global Market (formerly known as Nasdaq National Market) under the symbol "MALL" since our initial public offering on April 4, 1995. The following table sets forth the range of high and low sales price per share for our common stock for the periods indicated, as reported on the Nasdaq Global Market.

	Price Range of Common Stock	
	High	Low
Year Ended December 31, 2011		
First Quarter	$ 10.98	$ 6.50
Second Quarter	10.50	7.06
Third Quarter	8.35	4.80
Fourth Quarter	6.32	4.86
Year Ended December 31, 2010		
First Quarter	$ 5.67	$ 4.40
Second Quarter	6.05	3.88
Third Quarter	7.24	3.20
Fourth Quarter	7.88	5.22

As of the close of business on March 9, 2012, there were approximately 26 holders of record of our common stock.

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.

Information regarding compensation plans under which our equity securities may be issued is included in Item 12 of Part III of this report through incorporation by reference to our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders.

Issuer Purchases of Equity Securities

A summary of the repurchase activity for the three months ended December 31, 2011 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
October 1, 2011 to October 31, 2011	—	$ —	—	$ 1,579
November 1, 2011 to November 30, 2011	55,573	5.31	55,573	1,282
December 1, 2011 to December 31, 2011	—	—	—	
Total	55,573	5.31	55,573	

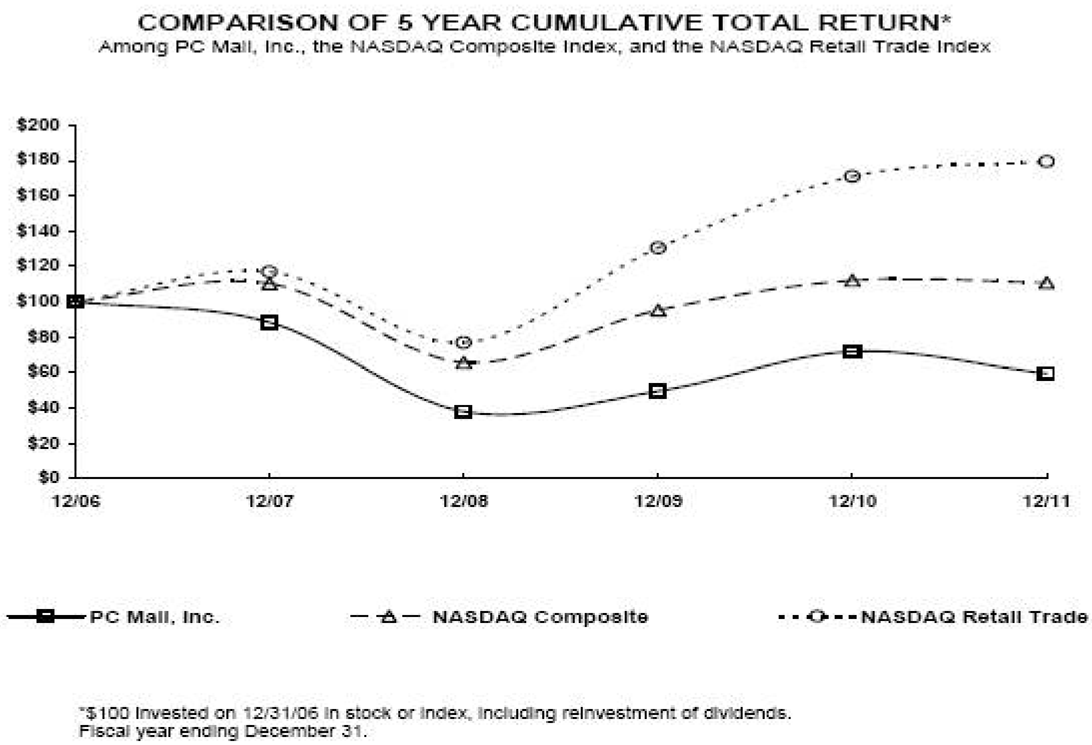
In October 2008, our Board of Directors approved a discretionary common stock repurchase program for up to $10 million of our common stock in aggregate with all other repurchases made under any repurchase programs following the date of such Board of Directors' approval. This repurchase program effectively superseded an earlier repurchase program adopted in 1996. Under this new 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 this new program will be financed with existing working capital and amounts available under our existing credit facility. 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.

During the year ended December 31, 2011, we repurchased a total of 432,012 shares of our common stock under this program for a cost of $2.6 million. From the inception of the program in October 2008 through December 31, 2011, we have repurchased an aggregate total of 1,956,506 shares of our common stock for a total cost of $8.7 million. The repurchased shares are held as treasury stock.

Notwithstanding anything to the contrary set forth in any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings, including this Annual Report on Form 10-K, in whole or in part, the Stock Performance Graph which follows shall not be deemed to be incorporated by reference into any such filings except to the extent that we specifically incorporate any such information into any such future filings.

Stock Performance Graph

The performance graph below compares the cumulative total stockholder return of our company with the cumulative total return of the Nasdaq Stock Market—the Nasdaq Composite Index and the Nasdaq Retail Trade Index. The graph assumes $100 invested at the per-share closing price of our common stock and each of the indices on December 31, 2006. The stock price performance shown in this graph is neither necessarily indicative of nor intended to suggest future stock price performance.



	Measurement Period (fiscal years covered)					
	12/06	**12/07**	**12/08**	**12/09**	**12/10**	**12/11**
PC Mall, Inc.	$ 100.00	$ 88.33	$ 38.05	$ 49.53	$ 71.82	$ 59.58
NASDAQ Composite	100.00	110.26	65.65	95.19	112.10	110.81
NASDAQ Retail Trade	100.00	116.94	76.83	130.52	170.95	179.41

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ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data are qualified by reference to, and should be read in conjunction with, our consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere herein.

The selected consolidated statements of operations data for the years ended December 31, 2011, 2010 and 2009 and the selected consolidated balance sheet data as of December 31, 2011 and 2010 presented below were derived from our audited consolidated financial statements, which are included elsewhere herein. The selected consolidated statements of operations data for the years ended December 31, 2008 and 2007 along with the consolidated balance sheet data as of December 31, 2009, 2008 and 2007 presented below were derived from our audited consolidated financial statements which are not included elsewhere herein.

	Years Ended December 31,				
	2011	2010	2009	2008	2007
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Net sales	$ 1,455,219	$ 1,368,314	$ 1,138,061	$ 1,327,974	$ 1,215,433
Cost of goods sold	1,264,731	1,197,019	985,045	1,148,593	1,067,595
Gross profit	190,488	171,295	153,016	179,381	147,838
Selling, general and administrative expenses	181,461	156,827	145,274	155,494	123,520
Special charges (1)(2)	(429)	—	—	4,893	—
Operating profit	9,456	14,468	7,742	18,994	24,318
Interest expense, net	3,284	2,019	1,567	3,667	4,031
Income before income taxes	6,172	12,449	6,175	15,327	20,287
Income tax expense	3,040	4,876	2,818	5,724	7,844
Net income	$ 3,132	$ 7,573	$ 3,357	$ 9,603	$ 12,443
Basic and Diluted Earnings Per Common Share:					
Basic	$ 0.26	$ 0.62	$ 0.27	$ 0.72	$ 0.98
Diluted	0.25	0.61	0.26	0.69	0.90

(1) 2011 includes a $1.2 million decrease in the estimated fair value of the contingent consideration liability related to the NSPI acquisition and a $0.8 million write-down of indefinite-lived SARCOM trademark based on reassessment of its remaining useful life in 2011.

(2) 2008 includes a $4.1 million goodwill and intangible asset impairment charge and a $0.8 million lawsuit settlement charge.

	At December 31,				
	2011	2010	2009	2008	2007
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 9,484	$ 10,711	$ 9,215	$ 6,748	$ 6,623
Working capital	45,277	52,638	54,034	50,847	37,264
Total assets	393,272	334,091	301,176	282,385	296,235
Short-term debt	1,015	783	1,038	1,038	775
Line of credit	91,852	50,301	53,127	29,010	53,893
Long-term debt, excluding current portion	8,984	2,666	3,333	4,337	4,456
Total stockholders' equity	110,826	107,293	97,755	93,551	84,424

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ITEM 7. 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 Item 1A and elsewhere in this report.

BUSINESS OVERVIEW

PC Mall, Inc. is a leading value added direct marketer of technology products, services and solutions to businesses, government and educational institutions and individual consumers. We go to market through our dedicated sales force of over 700 account executives. We also offer our products, services and solutions through our field service teams, various direct marketing techniques and a limited number of retail stores. Since our founding in 1987, we have served our customers in part by offering them multi-branded hardware solutions from leading brands including HP, Apple, Cisco, Microsoft and Lenovo. Through us, these and other manufacturers are able to reach multiple customer segments including consumers, small and medium sized businesses, large enterprise businesses, as well as state, local and federal governments and educational institutions. We add additional value to our manufacturer partners by being able to sell, deliver and incorporate their products and services into comprehensive solutions with a high degree of customization. Our model also facilitates an efficient supply chain and support mechanism for manufacturers by using a combination of direct marketing, centralized selling and support and centralized product fulfillment.

In conjunction with our eCost.com acquisition, which is discussed in detail below, beginning with the first quarter of 2011, our management considered the OnSale and eCOST businesses together as a separate segment and report their results accordingly, including revising all historical segment financial information reported herein. As such, in 2011, existing sales under the OnSale brand were no longer reported under the MacMall segment. In 2011, we had five operating segments, SMB, MME, Public Sector, MacMall and OnSale. We include corporate related expenses such as legal, accounting, information technology, product management, certain support services and other administrative costs that are not otherwise allocated to our reportable operating segments in Corporate and Other. In 2011, we generated approximately 37% of our revenue in our MME segment, 35% of our revenue in our SMB segment, 13% of our revenue in our MacMall segment, 12% of our revenue in our Public Sector segment and 3% of our revenue in our OnSale segment.

Our SMB segment consists of sales made primarily to small and medium sized businesses, generally with less than 1,000 employees. The SMB segment utilizes an outbound phone based sales force and, where applicable, a field-based sales force, together with an online extranet customized for individual customers that enables them to manage their IT procurement process. In addition, the SMB segment markets to small businesses through its Small Business Network utilizing its own social network site at www.pcmallsbn.com.

Our MME segment consists of sales made primarily to mid-market and enterprise-sized businesses, generally with more than 1,000 employees, under the SARCOM, NSPI and Abreon brands. The MME segment sells complex products, services and solutions, utilizing a field relationship-based selling model, an outbound phone based sales force, a field service 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 historically included sales made under our MacMall brand name via telephone and the Internet to consumers, small businesses and creative professionals.

Our OnSale segment historically included sales made under our OnSale and eCost brand names via the Internet and inbound phone-based sales forces. The OnSale segment has utilized traditional internet marketing as well as our recently developed "daily deals" business model. Beginning in the first quarter of 2011, in response to what we believe to be a rapidly changing way in which consumers shop and go to market, our OnSale segment expanded its business to enter the market for local daily deals through social commerce. As this market and its related customer buying behaviors have continued to evolve, the "daily deals" business model is rapidly expanding to include sales of IT products. In response to these developments, we have determined that our strategic objectives can be best achieved by incorporating the best practices, technologies and methodologies we have developed in our stand alone "daily deals" business into our traditional eCommerce platform and no longer operating a stand alone "daily deals" business. In the first quarter of 2012, we expect to realign our operating segments by consolidating the OnSale and MacMall segments.

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 customers in the small and medium sized business sector and the mid-market and enterprise sector 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") sector. 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. 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.

There has been substantial ongoing uncertainty in the global economic environment and recent disruptions in the capital and credit markets. 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. Continued and 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 and results of operations, and could significantly hinder our growth. These factors could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition, which could materially and adversely affect our business, results of operations and financial condition. In response to these uncertainties, we have continued to focus our efforts on cost reduction initiatives, competitive pricing strategies and driving higher margin service and solution sales, while continuing to make selective investments in our sales force personnel, service and solutions capabilities and IT infrastructure and tools in an effort to position us for enhanced productivity and future growth.

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.

A substantial portion of our business is dependent on sales of Apple, HP, and products purchased from other vendors including Adobe, Cisco, IBM, Ingram Micro, Lenovo, Microsoft, Sony, Sun Microsystems and Tech Data. Products manufactured by Apple represented approximately 21%, 21% and 19% of our net sales in 2011, 2010 and 2009. Products manufactured by HP represented approximately 20%, 20% and 19% of our net sales in 2011, 2010 and 2009.

One element of our business strategy involves expansion through the acquisition of businesses, assets, personnel or technologies that allow us to complement our existing operations, expand our market coverage, or add new business capabilities. While we believe that the fragmented nature of the technology reseller industry and industry consolidation trends may continue to present acquisition opportunities for us, these continued trends may make acquisitions more competitive.

We evaluate acquisition opportunities based on our assessment of several factors, including the perceived value of the opportunity, our available financing sources, and potential synergies of the acquisition target with our business. Our ability to complete acquisitions in the future will depend on our ability to fund such acquisitions with our internally available cash, cash generated from operations, amounts available under our existing credit facilities, additional borrowings or from the issuance of additional securities. As more fully discussed under "Liquidity and Capital Resources" below, certain trends in our operating results may impact our available cash resources and availability under our credit facilities, which in turn may impact our ability to pursue our acquisition strategy.

STRATEGIC DEVELOPMENTS

Rebranding Strategy

Over the past several years, our company has grown into a multi-billion dollar enterprise in part through our acquisition and internal cultivation of many different brands. We have historically differentiated those brands primarily based on the identity of the customers. After careful examination of the markets we serve and the trends taking shape in the marketplace, we have determined that going forward, our commercial customers can benefit from a more unified and streamlined brand strategy. In 2012, we expect to begin the process of unifying our commercial brands. We believe this unification will lead to an improved customer experience, operational synergies and benefits to all of our stakeholders, providing a brand that better represents the value-added solutions provider we are today.

ERP and Web Infrastructure Upgrades

We are currently upgrading many of our IT systems. We have purchased licenses for Microsoft Dynamics AX (Axapta) and other related tools, such as workflow software, web development tools and other related items, to upgrade our ERP and eCommerce systems. We initiated the implementation and upgrade of our eCommerce system in the second half of 2008 and have completed and launched a new generation of our public sites at macmall.com, onsale.com and pcmall.com. We are currently working on the implementation of the ERP modules and the upgrade of the ERP systems, including additional enhancements and features, and we expect to be complete with all phases of the implementation of the ERP systems by 2013. We believe the implementation and upgrade should help us to gain further efficiencies across our organization. Based on our estimates, which are subject to change, we currently expect to incur a total cost of up to $14 million for all these IT system upgrades. To date, we have incurred approximately $10.8 million of such costs. In addition to the above expenditures, we expect on an ongoing basis to make periodic upgrades to our IT systems.

In addition to the upgrades to our IT systems, in July 2008, we entered into an agreement with Cisco Systems for the purchase and implementation of various solutions to upgrade our current infrastructure for up to approximately $4.6 million. The purchase is financed through a capital lease over a five year term. Our plan is to provide a unified platform for our entire company and to provide a robust and efficient contact center. We completed the implementation of the Cisco solution across all of our locations in the second quarter of 2011.

Real Estate Transactions

On February 10, 2012, we announced that we signed a definitive agreement to sell the property we own in Southern California, where one of our retail stores is currently located, for $17.5 million. While there are no guarantees that this transaction will close, we expect to realize a book gain of approximately $15.9 million at the time of closing, which we currently expect to close during the second quarter of 2012. In connection with this sale, we intend to explore potential purchases or exchanges of real estate through Section 1031 of the Internal Revenue Code of 1986, as amended. We expect to effectuate such exchanges through one or more purchases of real property to be used in connection with our business and operations. We expect that any exchanges or purchases we make would benefit us through direct ownership of facilities that are strategic to our operations, reductions in our lease obligations, or other ancillary benefits.

On March 11, 2011, we completed the purchase of real property comprising approximately 184,000 square feet of land, which includes approximately 84,000 square feet of office space located at 1940 East Mariposa Avenue, El Segundo, California, which became our new corporate headquarters effective November 14, 2011. We purchased and have improved this building, located strategically adjacent to the Los Angeles International Airport (LAX), because we want it to be a compelling destination for customers who want to experience new and cutting edge IT solutions in person. The new headquarters was designed to drive higher productivity and efficiency for our employees and to provide a state-of-the-art demo center for our customers and vendor partners, as well as increase capacity to support our growth well into the future. In conjunction with the move, we relocated and substantially upgraded our primary data center from Torrance, CA to our own hosting facility in Atlanta, GA, which incorporates state of the art monitoring and disaster recovery capabilities. As a result of this relocation certain of our subsidiaries now have geographically redundant web and information systems. We are in the process of developing a formal disaster recovery plan for our critical systems.

eCOST.com Acquisition

On February 18, 2011, we acquired certain assets, including approximately $1 million of inventory, of eCOST.com, a subsidiary of PFSweb, Inc., for $2.3 million. eCOST.com is an online marketplace featuring an assortment of product categories, including but not limited to computers, networking, electronics and entertainment, TVs, monitors and projectors, cameras and camcorders, memory and storage, apparel, and sports and leisure items. The website also features a proprietary and patented shopping format, Bargain Countdown®, which amongst other features, offers limited time, limited quantity deals, and supports its premium online membership shopping club. eCOST.com commenced business in 1999 as a subsidiary of PC Mall. In September 2004, eCOST.com completed an initial public offering of approximately 19.8% of its outstanding common stock. In April 2005, we completed a spin-off of eCOST.com by distributing all of our remaining ownership interest in eCOST.com to our stockholders. In February 2006, eCOST.com was acquired by PFSweb in a stock for stock merger.

NSPI Acquisition

In June 2010, we completed the acquisition of substantially all of the assets of Network Services Plus, Inc. ("NSPI"). NSPI, primarily a provider of hosted data center and managed IT services in the southeastern United States, had approximately 73 employees as of the closing date, 53 of whom are billable IT resources. The terms of the transaction included an initial purchase price of $7.8

million, less a customary hold-back to settle possible indemnity claims. In addition, we extinguished substantially all of NSPI's indebtedness that existed immediately prior to the closing date of our acquisition. We have recorded identifiable intangible assets of $2.6 million related to customer relationships, $0.5 million related to trademarks and $0.3 million related to a non-compete agreement, with estimated useful lives of 10, 10 and 4 years, respectively. In addition, pursuant to the terms of the asset purchase agreement, NSPI's shareholders can earn additional consideration based on the performance of the NSPI business over two years following the acquisition, up to a total of approximately $5.2 million. In accordance with ASC 805, "Purchase Price Allocations" (formerly FAS No. 141R), based on an initial valuation of the fair value of the contingent consideration, we initially recorded additional goodwill and a corresponding liability of $3.2 million for future earnout payments. Such valuation is based upon management's initial forecasts of expected profitability of NSPI during the earnout period, and will be updated, if necessary, in future periods with adjustments reflected in our consolidated statement of operations. In 2011, we recorded an adjustment to reduce the earnout liability by $1.2 million to reflect the decrease in estimated fair value of the earnout liability, and such adjustment was reflected as "Revaluation of earnout liability" on our Consolidated Statements of Operations for the year ended December 31, 2011.

Goodwill and Intangible Asset Impairment

In accordance with ASC 350-20 (formerly Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets"), we performed our annual impairment analysis of goodwill and indefinite lived intangible assets for possible impairment. 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. Based on our analysis, we have determined that no impairment of goodwill or indefinite lived intangible assets existed as of December 31, 2010 and 2009. However, as of December 31, 2011, we have determined that a SARCOM trademark was impaired as a result of a reassessment of its remaining useful life and recorded a non-cash impairment charge of $0.8 million as "Impairment of indefinite-lived trademark" in our Consolidated Financial Statements. See below under "Critical Accounting Policies and Estimates — Goodwill and Intangible Assets" for more information.

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 this Annual Report on Form 10-K.

Revenue Recognition. We adhere to the revised guidelines and principles of sales recognition described in ASC 605 (formerly Staff Accounting Bulletin No. 104, "Revenue Recognition," issued by the staff of the SEC as a revision to Staff Accounting Bulletin No. 101, "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 and 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.

Certain software assurance or subscription products and extended warranties that we sell (for which we are not the primary obligor) are recognized on a net basis in accordance with ASC 605-45 (formerly Emerging Issues Task Force ("EITF") Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent"). Accordingly, such revenues are recognized in net sales either at the time of sale or over the contract period, based on the nature of the contract, at the net amount retained by us, with no cost of goods sold.

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.

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.

Reserve for Inventory Obsolescence. We maintain an allowance for the valuation of our inventory by estimating obsolete or unmarketable inventory based on the difference between inventory cost and market value, which is determined by general market conditions, nature, age and type of each product and assumptions about future demand. We regularly evaluate the adequacy of our inventory reserve. If our inventory reserve subsequently proves to be insufficient, additional allowance may be required.

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 (formerly EITF 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor") 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 (formerly financial Accounting Standards Board Statement No. 123 (revised 2004), "Share-Based Payment"), using the modified prospective application transition method. 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. ASC 718 generally requires that such transactions be accounted for using a fair value based method and recognized as expenses in our Consolidated Statements of Operations.

Pursuant to ASC 718, we estimate the grant date fair value of each stock option grant awarded pursuant to ASC 718 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 extensive use of accounting judgment and financial estimates. In estimating our assumption regarding expected term for options we granted during the years ended December 31, 2011, 2010 and 2009, we computed the expected term 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 will be revised, if necessary, in future periods if actual forfeitures differ from those estimates. 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 December 31 of each year. Under ASC 350 (formerly SFAS No. 142, "Goodwill and Other Intangible Assets"), 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 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.

As of December 31, 2011, we performed our annual impairment analysis of goodwill and indefinite-lived intangible assets for possible impairment. 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, we have determined that a SARCOM trademark was impaired as a result of a reassessment of its remaining useful life and recorded a non-cash impairment charge of $0.8 million as "Impairment of indefinite-lived trademark" in our Consolidated Financial Statements for the year ended December 31, 2011. We have determined that no other impairment of goodwill and other indefinite-lived intangible assets existed as of December 31, 2011.

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 values of our trademarks were 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 December 31, 2011. In performing the step one analysis of fair value, we concluded that the estimated fair values of each of the Sarcom, Abreon and NSPI reporting units were between 9-10% greater than their individual carrying values. All of our $25.5 million of goodwill resides within these reporting units. However, 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. For example, a change of 2-3% in our weighted-average cost of capital assumptions or a significant change in our estimated earnings growth for any of the three reporting units would have resulted in a fair value at, or slightly below, our current carrying value of these reporting units.

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 December 31, 2011, 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 between 20-25% as of December 31, 2011. 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 December 31, 2011 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 December 31, 2012 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 years indicated, our Consolidated Statements of Operations (in thousands) and information derived from our Consolidated Statements of Operations expressed as a percentage of net sales. There can be no assurance that trends in net sales, gross profit or operating results will continue in the future.

	Years Ended December 31,		
	2011	2010	2009
Net sales	$ 1,455,219	$ 1,368,314	$ 1,138,061
Cost of goods sold	1,264,731	1,197,019	985,045
Gross profit	190,488	171,295	153,016
Selling, general and administrative expenses	181,461	156,827	145,274
Revaluation of earnout liability	(1,229)	—	—
Impairment of indefinite-lived trademark	800	—	—
Operating profit	9,456	14,468	7,742
Interest expense, net	3,284	2,019	1,567
Income before income taxes	6,172	12,449	6,175
Income tax expense	3,040	4,876	2,818
Net income	$ 3,132	$ 7,573	$ 3,357

	As a Percentage of Net Sales For Years Ended December 31,		
	2011	2010	2009
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	86.9	87.5	86.5
Gross profit	13.1	12.5	13.5
Selling, general and administrative expenses	12.5	11.5	12.8
Revaluation of earnout liability	(0.1)	—	—
Impairment of indefinite-lived trademark	0.1	—	—
Operating profit	0.6	1.0	0.7
Interest expense, net	0.2	0.1	0.2
Income before income taxes	0.4	0.9	0.5
Income tax expense	0.2	0.3	0.3
Net income	0.2%	0.6%	0.2%

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

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

	Years Ended December 31,		Change	
	2011	2010	$	%
SMB	$ 509,463	$ 487,865	$ 21,598	4.4%
MME	532,402	493,733	38,669	7.8
Public Sector	181,795	187,331	(5,536)	(3.0)
MacMall	190,237	188,677	1,560	0.8
OnSale	43,307	10,857	32,450	298.9
Corporate and Other	(1,985)	(149)	(1,836)	NMF(1)
Consolidated net sales	$ 1,455,219	$ 1,368,314	$ 86,905	6.4%

(1) Not meaningful.

Our consolidated net sales for 2011 were $1,455.2 million, an $86.9 million, or 6%, increase from consolidated net sales of $1,368.3 million in 2010.

Our SMB segment net sales increased by $21.6 million, or 4%, to $509.5 million in 2011 from $487.9 million in 2010. This increase was primarily due to incremental productivity by our tenured account executives, partially offset by a $9 million decrease in sales to promotional companies as a result of a program change by a large vendor in late 2011. Going forward, we expect the results of the program change to have an impact on year over year comparisons. Sales under the program in 2011 were approximately $64.7 million, compared to sales under the program in 2010 of $73.6 million.

Our MME segment net sales increased by $38.7 million, or 8%, to $532.4 million in 2011 from $493.7 million in 2010. This increase was primarily due to a 17% increase in sales of services in 2011 compared to 2010 as well as a 5% increase in net sales of products.

Our Public Sector segment net sales decreased by $5.5 million, or 3%, in 2011 to $181.8 million from $187.3 million in 2010. This decrease was primarily due to a 19% decrease in our federal government business due to ongoing federal budgetary constraints, partially offset by a 25% increase in sales to state and local government and educational institutions (SLED) resulting primarily from increased account executive headcount focused on SLED business and new SLED contracts in 2011.

Our MacMall segment net sales increased by $1.5 million, or 1%, to $190.2 million in 2011 compared to $188.7 million in 2010. This increase reflects our ongoing efforts to focus on higher profit customer segments such as small businesses, creative professionals and high-end consumers, but was offset by a decrease of $3.0 million due to the aforementioned vendor program change. Sales under this vendor program were approximately $8.2 million in 2011 compared to $11.2 million in 2010.

Our OnSale segment net sales increased by $32.4 million, or 299%, to $43.3 million in 2011 compared to $10.9 million in 2010. This increase was primarily due to net sales made through our eCost brand, which was acquired in February 2011, and a $15.3 million increase in sales through our OnSale brand.

Gross Profit and Gross Profit Margin. The following table presents our gross profit and gross profit margin, by segment, for the periods presented (in thousands):

	Years Ended December 31,					
	2011		2010		Change	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	$	Margin
SMB	$ 67,205	13.2%	$ 60,324	12.4%	$ 6,881	0.8%
MME	81,483	15.3	75,301	15.3	6,182	0.0
Public Sector	16,908	9.3	14,189	7.6	2,719	1.7
MacMall	20,465	10.8	20,345	10.8	120	0.0
OnSale	4,679	10.8	1,059	9.8	3,620	1.0
Corporate and Other	(252)	NMF(1)	77	NMF(1)	(329)	NMF(1)
Consolidated gross profit and gross profit margin	$ 190,488	13.1%	$ 171,295	12.5%	$ 19,193	0.6%

(1) Not meaningful.

Consolidated gross profit for 2011 was $190.5 million compared to $171.3 million in 2010, a $19.2 million or 11% increase. Consolidated gross profit margin was 13.1% in 2011 compared to 12.5% in 2010.

Gross profit for our SMB segment was $67.2 million in 2011 compared to $60.3 million in 2010, an increase of $6.9 million or 11%. SMB gross profit margin increased by 80 basis points to 13.2% in 2011 compared to 12.4% in 2010. The increase in SMB gross profit was primarily due to the increase in SMB net sales discussed above and a $1.7 million increase in vendor consideration. The increase in SMB gross profit margin was primarily due to a change in product mix weighted more to service solutions, a decrease in the sales to promotional companies at lower margins and a 20 basis point increase in vendor consideration as a percentage of net sales.

Gross profit for our MME segment increased by $6.2 million, or 8%, to $81.5 million in 2011 compared to $75.3 million 2010, and gross profit margin remained flat at 15.3% in 2011 and 2010. The increase in MME gross profit was primarily due to the increased MME net sales discussed above and a $0.8 million increase in vendor consideration.

Gross profit for our Public Sector segment increased by $2.7 million, or 19%, to $16.9 million in 2011 compared to $14.2 million in 2010. Public Sector gross profit margin increased by 170 basis points to 9.3% in 2011 compared to 7.6% in 2010. The increase in our Public Sector gross profit and gross profit margin was primarily due to an improved mix of sales of products, services and solutions made at higher margins, which includes an increase of $1.3 million, or 76 basis points, in vendor consideration.

Gross profit for our MacMall segment was $20.5 million for 2011 compared to $20.3 million in 2010, an increase of $0.2 million or 1%. Gross profit margin for our MacMall segment remained relatively flat at 10.8% in 2011 and 2010.

Gross profit for our OnSale segment increased by $3.6 million, or 342%, to $4.7 million in 2011 compared to $1.1 million in 2010. OnSale gross profit margin increased by 100 basis points to 10.8% in 2011 compared to 9.8% in 2010. The increase in our OnSale gross profit was primarily due to the increased OnSale net sales discussed above. The increase in OnSale gross profit margin was primarily due to an improved product mix as well as higher margins on sales of HP Touchpads made during the second half of 2011, partially offset by an 85 basis point reduction in vendor consideration as a percentage of sales.

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

	Years Ended December 31,					
	2011		2010			
	Operating Profit (Loss)	Operating Profit Margin (1)	Operating Profit (Loss)	Operating Profit Margin (1)	Change $	Change Margin
SMB	$ 36,899	7.2%	$ 31,362	6.4%	$ 5,537	0.8%
MME	27,582	5.2	23,190	4.7	4,392	0.5
Public Sector	1,748	1.0	737	0.4	1,011	0.6
MacMall	4,553	2.4	5,365	2.8	(812)	(0.4)
OnSale	(4,563)	(10.5)	(36)	(0.3)	(4,527)	(10.2)
Corporate and Other	(56,763)	(3.9)	(46,150)	(3.4)	(10,613)	(0.5)
Consolidated operating profit and operating profit margin	$ 9,456	0.6%	$ 14,468	1.1%	$ (5,012)	(0.5)%

(1) Operating profit margin for Corporate and 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 profit for 2011 decreased by $5.0 million, or 35%, to $9.5 million compared to $14.5 million in 2010. Consolidated operating profit margin for 2011 was 0.6% compared to 1.1% in 2010, a decrease of 50 basis points.

Operating profit for our SMB segment increased by $5.5 million, or 18%, to $36.9 million in 2011 compared to $31.4 million in 2010. The increase in SMB operating profit was primarily due to the increase in SMB gross profit discussed above, partially offset by a $1.2 million increase in SMB personnel costs. This increase in SMB personnel costs was primarily due to an increase in variable compensation expenses due to the increased SMB gross profit discussed above.

Our MME segment operating profit increased by $4.4 million, or 19%, to $27.6 million in 2011 compared to $23.2 million in 2010. The increase in MME operating profit was primarily due to the increase in MME gross profit discussed above, a $1.2 million decrease in earnout liability related to NSPI and a $0.4 million decrease in bad debt expense, partially offset by a $1.4 million increase in variable fulfillment costs, a $0.8 million increase in lease related costs, a $0.8 million impairment charge related to a writedown of an indefinite-lived SARCOM trademark based on a reassessment of its remaining estimated useful life, and a $0.5 million increase in depreciation and amortization expenses primarily relating to the acquisition of NSPI.

Operating profit for our Public Sector segment was $1.7 million in 2011 compared to $0.7 million in 2010, an increase of $1.0 million, or 137%. The increase in Public Sector operating profit was primarily due to the increase in Public Sector gross profit discussed above, partially offset by a $1.1 million increase in Public Sector personnel costs related to our investment in incremental resources in our SLED and Health Dynamix divisions.

Operating profit for our MacMall segment decreased by $0.8 million, or 15%, to $4.6 million in 2011 compared to $5.4 million in 2010. The decrease in MacMall segment operating profit was primarily due a $0.3 million increase in advertising expenditures and a $0.3 million increase in personnel costs.

Operating loss for our OnSale segment increased by $4.5 million, to $4.6 million in 2011 compared to $36,000 in 2010. The increase in OnSale segment operating loss was primarily due to the expansion of the OnSale business model as discussed previously, and included a $4.1 million increase in personnel costs, a $1.7 million increase in advertising expenditures, a $0.6 million increase in legal costs, a $0.5 million increase in variable fulfilment costs and a $0.4 million increase in credit card related fees, partially offset by the increase in OnSale gross profit discussed above.

Corporate and Other operating expenses includes corporate related expenses such as legal, accounting, information technology, product management and certain pre-sales, value-added support services and other administrative costs that are not otherwise included in our reportable operating segments. Corporate and Other expenses increased by $10.6 million, or 23%, to $56.8 million in 2011 from $46.2 million in 2010. This increase was primarily due to a $4.2 million increase in net personnel costs, a $1.1 million increase in legal costs which includes costs incurred defending a lawsuit that was settled in January 2012 without liability to the company, $1.0 million of increased depreciation expense, a $0.7 million increase in telecommunications costs, and a $0.5 million writedown of inventory related to the introduction of the iPad 2 in 2011.

Net Interest Expense. Total net interest expense in 2011 increased to $3.3 million compared with $2.0 million in 2010. The increase in interest expense of $1.3 million resulted primarily from an increase in our average total outstanding borrowings in 2011, an increase in our average effective borrowing rate in 2011 compared to 2010, as well as an increase in amortization of deferred financing costs.

Income Tax Expense. We recorded an income tax expense of $3.0 million in 2011 compared to an income tax expense of $4.9 million in 2010. Our effective tax rates for 2011 and 2010 were 49% and 39%. The decrease in income tax expense is primarily attributable to the decrease in pre-tax book income in 2011 as compared to 2010. The increase in our effective tax rate in 2011 compared to 2010 was primarily due to the recording of a valuation allowance against certain of our state net operating loss carryforwards.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

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

	Years Ended December 31,		Change	
	2010	**2009**	**$**	**%**
SMB	$ 487,865	$ 368,846	$ 119,019	32.3%
MME	493,733	382,725	111,008	29.0
Public Sector	187,331	173,957	13,374	7.7
MacMall	188,677	201,617	(12,940)	(6.4)
OnSale	10,857	10,902	(45)	(0.4)
Corporate and Other	(149)	14	(163)	NMF(1)
Consolidated net sales	$ 1,368,314	$ 1,138,061	$ 230,253	20.2%

(1) Not meaningful.

Our consolidated net sales for 2010 were $1,368.3 million, a $230.2 million, or 20%, increase from consolidated net sales of $1,138.1 million in 2009.

Our SMB segment net sales increased by $119.1 million, or 32%, to $487.9 million in 2010 from $368.8 million in 2009. This increase was primarily due to continuing economic recovery by small and medium sized businesses, increased productivity of our account executives, inclusive of significant growth in our new Chicago office, and an increase in sales to promotional companies.

Our MME segment net sales increased by $111.0 million, or 29%, to $493.7 million in 2010 from $382.7 million in 2009. This increase was primarily due to increased spending by customers in the mid-market and enterprise sector and increased account executive productivity in 2010. Product revenues increased by 38% in 2010 compared to the same period in 2009 while service revenues decreased by 2% in 2010 compared to the same period in 2009. Service revenues represented 17% of MME net sales in 2010 compared to 23% of net sales in 2009. The service revenue decline as a percentage of sales was due primarily to the aforementioned growth in products sales, and a 17% decline in MME's Sarcom branded professional and managed services in 2010 compared to 2009 resulting from certain large service projects in 2009 that did not reoccur in 2010. This decline was partially offset by the inclusion of service revenues of NSPI, which we acquired in June 2010, and services performed under our Abreon brand, which service revenues increased by 12% in 2010 compared to 2009. MME's service revenue vehicles are primarily contract-based and have longer lead times.

Our Public Sector segment net sales increased by $13.3 million, or 8%, in 2010 to $187.3 million from $174.0 million in 2009. This increase was primarily due to an increase in net sales in both our SLED business and our federal government business driven by stronger demand in both markets and our aggressive public sector market share growth strategy, as well as significant backlog from a large customer carried over from the fourth quarter of 2009. The increase in our federal government business was, however, largely offset by the impact of a 33% reduction in sales of Sun Microsystems solutions, which we believe is substantially related to the acquisition of Sun by Oracle in January 2010 and resulting vendor program changes made in the second quarter of 2010 in connection with Sun solutions. In addition, these changes had a significant negative impact on our federal government net sales through a large contract vehicle. We expect our federal government sales of Sun solutions may be negatively impacted for the foreseeable future.

Our MacMall segment net sales decreased by $12.9 million, or 6%, to $188.7 million in 2010 compared to $201.6 million in 2009. This decrease in MacMall net sales was primarily due to our shift in strategy, which focused the MacMall brand on higher profit customer segments such as small businesses, creative professionals and high-end consumers, as well as the effect of continued competition in the market for Apple products and the absence of year end opportunistic purchases we made in 2008 which we were able to profitably sell in the first half of 2009. These decreases in MacMall net sales in 2010 were partially offset by significant seasonal sales of iPads during the fourth quarter of 2010.

Our OnSale segment net sales remained relatively flat at $10.9 million in each of the years 2010 and 2009.

Gross Profit and Gross Profit Margin. The following table presents our gross profit and gross profit margin, by segment, for the periods presented (in thousands):

	Years Ended December 31,					
	2010		2009		Change	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	$	Margin
SMB	$ 60,324	12.4%	$ 47,259	12.8%	$ 13,065	(0.4)%
MME	75,301	15.3	65,182	17.0	10,119	(1.7)
Public Sector	14,189	7.6	18,300	10.5	(4,111)	(2.9)
MacMall	20,345	10.8	21,221	10.5	(876)	0.3
OnSale	1,059	9.8	870	8.0	189	1.8
Corporate and Other	77	NMF(1)	184	NMF(1)	(107)	NMF(1)
Consolidated gross profit and gross profit margin	$ 171,295	12.5%	$ 153,016	13.4%	$ 18,279	(0.9)%

(1) Not meaningful.

Consolidated gross profit for 2010 was $171.3 million compared to $153.0 million in 2009, an $18.3 million or 12% increase. Consolidated gross profit margin was 12.5% in 2010 compared to 13.4% in 2009.

Gross profit for our SMB segment was $60.3 million in 2010 compared to $47.3 million in 2009, an increase of $13.0 million or 28%. SMB gross profit margin decreased by 40 basis points to 12.4% in 2010 compared to 12.8% in 2009. The increase in SMB gross profit was primarily due to the increase in SMB net sales discussed above and a $1.9 million increase in vendor consideration. The decrease in SMB gross profit margin was primarily due to a 48 basis point decline in vendor consideration as a percentage of net sales.

Gross profit for our MME segment increased by $10.1 million, or 16%, to $75.3 million in 2010 compared to $65.2 million 2009, and gross profit margin decreased by 170 basis points to 15.3% in 2010 compared to 17.0% in 2009. The increase in MME gross profit was primarily due to the increased MME net sales discussed above. The decrease in MME gross profit margin was primarily due to a change in overall sales mix, as hardware sales grew more rapidly than service sales.

Gross profit for our Public Sector segment decreased by $4.1 million, or 22%, to $14.2 million in 2010 compared to $18.3 million in 2009. Public Sector gross profit margin decreased by 290 basis points to 7.6% in 2010 compared to 10.5% in 2009. The decrease in our Public Sector gross profit and gross profit margin was primarily due to the impact of the Sun changes mentioned above and a higher mix of large, lower margin deals in 2010. Gross profit margin for 2010 also reflects the effects of our previously stated market share growth strategy in the Public Sector business, specifically on the Windows platform in order to broaden our sales mix. We expect that future sales of Sun Microsystems solutions will be made at lower margins than we have historically experienced prior to the vendor program changes made by Oracle.

Gross profit for our MacMall segment was $20.3 million for 2010 compared to $21.2 million in 2009, a decrease of $0.9 million or 4%. Gross profit margin for our MacMall segment increased by 30 basis points to 10.8% in 2010 compared to 10.5% in 2009. The decrease in our MacMall gross profit was primarily due to the decrease in MacMall net sales discussed above. The increase in MacMall gross profit margin was primarily due to the aforementioned strategy shift to focus the MacMall brand on higher profit customer segments.

Gross profit for our OnSale segment was $1.1 million for 2010 compared to $0.9 million in 2009, an increase of $0.2 million or 22%. Gross profit margin for our OnSale segment increased by 180 basis points to 9.8% in 2010 compared to 8.0% in 2009. The increase in OnSale gross profit and gross profit margin was primarily due to its focus on achieving profitability.

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

	Years Ended December 31,					
	2010		2009		Change	
	Operating Profit (Loss)	Operating Profit Margin (1)	Operating Profit (Loss)	Operating Profit Margin (1)	$	Margin
SMB	$ 31,362	6.4%	$ 23,048	6.2%	$ 8,314	0.2%
MME	23,190	4.7	18,613	4.9	4,577	(0.2)
Public Sector	737	0.4	5,847	3.4	(5,110)	(3.0)
MacMall	5,365	2.8	3,793	1.9	1,572	0.9
OnSale	(36)	(0.3)	(607)	(5.6)	571	5.3
Corporate and Other	(46,150)	(3.4)	(42,952)	(3.8)	(3,198)	0.4%
Consolidated operating profit and operating profit margin	$ 14,468	1.1%	$ 7,742	0.7%	$ 6,726	0.4%

(1) Operating profit margin for Corporate and 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 profit for 2010 increased by $6.8 million, or 87%, to $14.5 million compared to $7.7 million in 2009. Consolidated operating profit margin for 2010 was 1.1% compared to 0.7% in 2009, an increase of 40 basis points.

Operating profit for our SMB segment increased by $8.4 million, or 36%, to $31.4 million in 2010 compared to $23.0 million in 2009. The increase in SMB operating profit was primarily due to the increase in SMB gross profit discussed above, partially offset by a $4.6 million increase in SMB personnel costs. This increase in SMB personnel costs was primarily due to an increase in variable compensation expenses due to the increased SMB gross profit discussed above and our continuing investment in the growth of our Chicago office.

Our MME segment operating profit increased by $4.6 million, or 25%, to $23.2 million in 2010 compared to $18.6 million in 2009. The increase in MME operating profit was primarily due to the increase in MME gross profit discussed above, partially offset by a $3.4 million increase in MME personnel costs and a $0.6 million increase in depreciation and amortization expenses primarily relating to the acquisition of NSPI. The increase in MME personnel costs was primarily due to an increase in variable compensation costs related to the increased gross profit discussed above and the acquisition of NSPI.

Operating profit for our Public Sector segment was $0.7 million in 2010 compared to $5.8 million in 2009, a decrease of $5.1 million, or 87%. The decrease in Public Sector operating profit was primarily due the decrease in Public Sector gross profit discussed above and a $0.9 million increase in Public Sector personnel costs related to our investment in our Public Sector's Health Dynamix division and incremental investments in headcount. The increase in Public Sector personnel costs was partially offset by a decrease in variable compensation expenses due to the decreased Public Sector gross profit.

Operating profit for our MacMall segment increased by $1.6 million, or 41%, to $5.4 million in 2010 compared to $3.8 million in 2009. The increase in MacMall segment operating profit was primarily due to a $3.1 million decrease in MacMall advertising expenditures, a $0.6 million decrease in credit card related fees and a $0.6 million decrease in variable fulfilment expenses, partially offset by a $1.2 million increase in MacMall personnel costs and the decrease in MacMall gross profit discussed above. The increase in MacMall personnel costs were primarily due to an increase in sales executives supporting our MacMall small business initiative.

Operating loss for our OnSale segment was $36,000 in 2010 compared to an operating loss of $607,000 in 2009. The decrease in OnSale operating loss was primarily due to a $0.3 million decrease in advertising costs and a $0.1 million decrease in credit card related fees.

Corporate and Other operating expenses includes corporate related expenses such as legal, accounting, information technology, product management and certain pre-sales, value-added support services and other administrative costs that are not otherwise included in our reportable operating segments. Corporate and Other expenses increased by $3.2 million, or 7%, to $46.2 million in 2010 from $43.0 million in 2009. This increase was primarily due to a $2.6 million increase in personnel costs, which included a $0.5 million increase in stock-based compensation expenses, an increase in depreciation expenses of $1.7 million primarily related to the completed portions of our ERP and infrastructure upgrades, partially offset by a $0.6 million decrease in legal costs, a $0.4 million decrease in telecommunication costs and a $0.3 million decrease in other professional fees.

Net Interest Expense. Total net interest expense in 2010 increased to $2.0 million compared with $1.6 million in 2009. The increase in interest expense of $0.4 million resulted primarily from increase in our average total outstanding borrowings in 2010 partially offset by the decrease in our average effective borrowing rate in 2010 compared to 2009.

Income Tax Expense. We recorded an income tax expense of $4.9 million in 2010 compared to an income tax expense of $2.8 million in 2009. Our effective tax rates for 2010 and 2009 were 39% and 46%. The increase in income tax expense is primarily attributable to the increase in pre-tax income. The decrease in our effective tax rate in 2010 compared to 2009 was primarily due to the impact of a tax adjustment relating to a dividend from a foreign subsidiary in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital. Our primary capital need has historically been funding the working capital requirements created by our growth in sales and strategic acquisitions. We expect that our primary capital needs will continue to be the funding of our existing working capital requirements, capital expenditures for which we expect to include substantial investments in a new ERP system, eCommerce platform and an upgrade of our current IT infrastructure over the next several years, which are discussed below in "Other Planned Capital Projects," possible sales growth, possible acquisitions and new business ventures, including our announced rebranding strategy and possible repurchases of our common stock under a discretionary repurchase program, which is 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 future strategic opportunities, capital investments or growth beyond our current operating plans. We are also unable to quantify any synergies or expected costs related to our recently announced rebranding strategy.

There has been ongoing weakness and uncertainty in the global economic environment, coupled with disruptions in the capital and credit markets. While our revolving credit facility does not mature until March 2015, we believe continued 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 $9.5 million at December 31, 2011 and $10.7 million at December 31, 2010. Our working capital decreased by $7.3 million to $45.3 million at December 31, 2011 from working capital of $52.6 million at December 31, 2010. This decrease in our working capital was primarily due to the increase in our outstanding borrowings under our line of credit at December 31, 2011, partially offset by increases in our accounts receivable and inventory.

In October 2008, our Board of Directors approved a discretionary common stock repurchase program for up to $10 million of our common stock in aggregate with all other repurchases made under any repurchase programs following the date of such Board of Directors' approval. This repurchase program effectively superseded an earlier repurchase program adopted in 1996. Under this new 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 any repurchases of our common stock under this program will be financed with existing working capital and amounts available under our existing credit facility. 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. During the year ended December 31, 2011, we had repurchased a total of 432,012 shares of our common stock under this program for a cost of $2.6 million. From the inception of the program in October 2008 through December 31, 2011, we had repurchased an aggregate total of 1,956,506 shares of our common stock for a cost of $8.7 million. The repurchased shares are held as treasury stock.

We maintain a Canadian call center serving the U.S. market, which has historically received the benefit of labor credits under a Canadian government program. In 2007, we received an eligibility certificate to participate in the Investment Quebec Refundable Tax Credit for Major Employment Generating Projects (GPCE). In addition to other eligibility requirements, we are required to maintain a minimum of 317 eligible employees employed by our subsidiary PC Mall Canada, Inc. in the province of Quebec at all times to remain eligible to apply annually for these labor credits. As a result of this new certification, we are eligible to make annual labor credit claims for eligible employees equal to 25% of eligible salaries, but not to exceed $15,000 (Canadian) per eligible employee per year, beginning in fiscal year 2008 and continuing through fiscal year 2016. As of December 31, 2011, we had an accrued receivable of $7.0 million related to the 2010 and 2011 calendar years. We expect to file our 2011 claim in 2012 and we expect to receive full payment under our remaining accrued labor credits receivable.

Cash Flows from Operating Activities. Net cash used in operating activities was $22.1 million in 2011, primarily due to a $23.2 million increase in accounts receivable and a $14.9 million increase in inventory, partially offset by net income and non-cash adjustments to net income such as $10.0 million in depreciation and amortization. The increase in accounts receivable in 2011 reflects our increased focus on sales to commercial companies and also was impacted by large sales near the end of 2011 that did not occur at the end of 2010. The increase in inventory in 2011 was due to a strategic purchase made near the end of 2011 of a large supply of inventory from a single vendor that we believe will be substantially sold through during the first quarter of 2012. We did not make an equivalent purchase at the end of 2010.

In 2010, we generated $28.3 million of cash provided by operating activities primarily due to net income before non-cash adjustments, as well as $19.3 million from a decrease in accounts payable due to better management of the timing of payments of our trade payables, a reduction in inventory of $5.0 million primarily due to the sell through of our Public Sector backlog that existed at the end of 2009, partially offset by a $21.5 million increase in accounts receivable reflecting our strategic focus on driving revenue growth from commercial customers.

In 2009, cash used in operating activities was $9.0 million as net income before non-cash adjustments was not sufficient to offset the increases in accounts receivable of $12.9 million and increases in deferred revenue of $4.9 million, both of which reflect our focus on driving revenue growth from corporate and public sector customers.

Cash Flows from Investing Activities. Net cash used in investing activities during the years ended December 31, 2011, 2010 and 2009 was $30.3 million, $16.8 million and $9.3 million, respectively. The $30.3 million of net cash used in investing activities in 2011 was primarily due to capital expenditures totaling $17.2 million related to the purchase of our new headquarters office building in El Segundo and related improvements, as well as purchases of furniture and equipment for that building, a $10.9 million capital expenditure related to investments in our IT infrastructure and the creation of enhanced electronic tools for our account executives and sales support staff, and a $2.3 million acquisition of certain assets of eCost.

The $16.8 million of net cash used in investing activities in 2010 was primarily related to the $8.8 million (net of cash acquired) used for the acquisition of NSPI in June 2010 and $8.0 million of capital expenditures. The $8.0 million of capital expenditures were primarily related to investments in our IT infrastructure, leasehold improvements relating to our relocated retail store in Torrance, California and the creation of enhanced electronic tools for our account executives and sales support staff. The $9.3 million of net cash used in investing activities in 2009 was primarily related to investment in our IT infrastructure, including ERP, security and telecommunications upgrades and the acquisition of certain assets of DSW.

Cash Flows from Financing Activities. Net cash provided by financing activities was $51.2 million in 2011 compared to net cash used in financing activities $10.2 million in 2010 and net cash provided by financing activities $19.8 million in 2009. The $51.2 million of net cash provided by financing activities in 2011 was primarily due to $41.2 million of net borrowings on our line of credit, $7.2 million of borrowings under a new note payable to finance a part of the purchase price of the building in El Segundo and a $7.0 million change in book overdraft, partially offset by $2.6 million of repurchases of our common stock under a repurchase program, $1.2 million of capital lease payments and a $1.1 million payment of NSPI's earnout liability.

The $10.2 million of net cash used in financing activities in 2010 was primarily due to the $4.2 million of net payments on our line of credit, a $3.4 million change in book overdraft and a $1.1 million of net repayments under our notes payable. The $19.8 million of net cash provided by financing activities in 2009 was primarily due to a $24.1 million increase in our outstanding balance on our line of credit, partially offset by repurchases of our common shares totaling $2.6 million, a $1.1 million decrease in book overdraft and $1.0 million of net payment on our notes payable.

Line of Credit and Notes Payable. We maintain an asset-based revolving credit facility, as amended from time to time and most recently amended as of December 14, 2010, of up to $160 million from a lending unit of a large commercial bank. The credit facility provides for, among other things, (i) a credit limit of $160 million, which may be increased in increments of $5 million up to a total credit limit of $180 million, provided that any increase of the total credit limit in excess of $160 million is subject to, among other things, an acceptance and commitment by the lenders to such excess amount and a line increase fee not to exceed 0.65% of the increased amount; (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 March 31, 2015. 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, 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. There can be no assurance that the lenders, if we elected to increase the credit limit, will commit to the remaining excess $20 million of credit beyond the $160 million in any future period. As a result, we may not be able to access the credit facility beyond its current limit of $160 million.

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 for each twelve-month periods ending on or after December 31, 2011. At December 31, 2011, we were in compliance with our financial covenant.

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 utilization of early-pay discounts. At December 31, 2011, we had $91.9 million of net working capital advances outstanding under the line of credit. At December 31, 2011, the maximum credit line was $160 million and we had $49.7 million available to borrow for working capital advances under the line of credit.

In connection with and as part of the amended credit facility, we entered into an amended term note on December 14, 2010 with a principal balance of $2.87 million, payable in equal monthly principal installments beginning on January 1, 2011, plus interest at the prime rate with a LIBOR option. The amended term note matures in December 2017 or in the event of a default, termination or non-renewal of our credit facility, is payable in its entirety upon demand by our lender. At December 31, 2011, we had $2.46 million outstanding under the amended term note. The remaining balance of our term note matures as follows: $410,000 annually in each of the years 2012 through 2017.

At December 31, 2011, our effective weighted average annual interest rate on outstanding amounts under the credit facility and term note was 2.36%.

At December 31, 2011, $0.2 million relating to the financing of our purchase of Microsoft AX (Axapta), which is a part of our ERP upgrade, were included in our "Notes payable — current" on our Consolidated Balance Sheets. See "Other Planned Capital Projects" below for a detailed discussion.

In June 2011, we entered into a credit agreement to finance the acquisition and improvement of real property we purchased in March 2011 in El Segundo, California. The credit agreement provides for a lending commitment for a loan up to $10.9 million with a five year term and a 25 year straight-line principal repayment amortization period with a balloon payment at maturity. Interest is variable, indexed to Prime plus a spread of 0.375% or LIBOR plus a spread of 2.375% at our option, payable monthly. At December 31, 2011, we had $7.2 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. In February 2012, we drew down an additional $2.9 million under this credit agreement. For more information, see Note 16 of the Notes to the Consolidated Financial Statements included in this report.

In February 2012, we announced that we signed a definitive agreement to sell the property we own in Southern California, where one of our retail stores is currently located, for $17.5 million. While there are no guarantees that this transaction will close, we expect to realize a book gain of $15.9 million at the time of closing, which we currently expect to close during the second quarter of 2012. In connection with this sale, we intend to explore potential purchases or exchanges of real estate through Section 1031 of the Internal Revenue Code of 1986, as amended. We expect to effectuate such exchanges through one or more purchases of real property to be used in connection with our business and operations. We expect that any exchanges or purchases we make would benefit us through direct ownership of facilities that are strategic to our operations, reductions in our lease obligations, or other ancillary benefits. We expect a portion of the proceeds to be used to pay off the term note described above, which as of December 31, 2011 had a balance of $2.46 million. In addition, we may elect to enter into long-term debt agreements securing any new exchanges or purchases in the future.

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.

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.

CONTRACTUAL OBLIGATIONS, OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENCIES

Contractual Obligations

The following tables set forth our future contractual obligations and other commercial commitments as of December 31, 2011 (in thousands), including the future periods in which payments are expected. Additional details regarding these obligations are provided in the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Contractual obligations					
Long-term debt obligations (a) (Note 7)	$ 9,890	$ 905	$ 1,396	$ 7,179	$ 410
Purchase obligations (b) (Note 9)	9,968	8,411	1,507	50	—
Operating lease obligations (Note 9)	17,245	5,121	8,183	3,714	227
Capital lease obligations (Note 9)	4,088	1,490	2,098	500	—
Total contractual obligations	$ 41,191	$ 15,927	$ 13,184	$ 11,443	$ 637

	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Other commercial commitments					
Line of credit (a) (Note 7)	$ 91,852	$ 91,852	$ —	$ —	$ —
Standby Letters of Credit (c)	10,098	10,000	98	—	
Earn-out (d)	1,100	1,100	—		

(a) Long-term debt obligations and line of credit exclude interest, which is based on a variable rate tied to the prime rate or LIBOR plus a variable spread, at our option.

(b) Purchase obligations consist of minimum commitments under non-cancelable contracts for services relating to telecommunications, IT maintenance, financial services and employment contracts with certain employees (which consist of severance arrangements that, if exercised, would become payable in less than one year).

(c) Standby LOCs are commitments issued to third party beneficiaries, underwritten by a third party bank, representing funding responsibility in the event of third party demands or contingent events. The outstanding balance of our standby LOCs reduces the amount available to us from our revolving credit facility. The LOC amounts in the table above represent the amount of commitment expiration per period presented. There were no claims made against any standby LOCs during the year ended December 31, 2011.

(d) Earn-out represents the fair value of the future contingent liability, arising from our acquisition of NSPI, as it is recorded on our Consolidated Balance Sheet under "Accrued expenses and other current liabilities." At completion of acquisition of NSPI in June 2010, the fair value of the earn-out was based on an initial valuation of the fair value of the contingent consideration, under which the sellers of NSPI can earn up to a total of approximately $5.2 million over a two year period commencing from the acquisition date. The earn-out amounts in the table above represent the fair value of the contingent liability at December 31, 2011 and the respective earn-out period.

In February 2012, we entered into capital lease agreements with US Bank for approximately $3.0 million of various furniture and equipment at our El Segundo headquarters office and intend to finance an additional $1.3 million. For more information, see Note 16 of the Notes to the Consolidated Financial Statements included in this report. Further, in February 2012, we drew down an additional $2.9 million on our existing credit facility which finances the acquisition and improvement of the real property we purchased in El Segundo, California. Principal repayment began in March 2012.

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 (Axapta) and other related tools, such as workflow software, web development tools and other related items, to upgrade our ERP and eCommerce systems. We initiated the implementation and upgrade of our eCommerce system in the second half of 2008 and have completed and launched a new generation of our public sites at macmall.com, onsale.com and pcmall.com. We are currently working on the implementation of the ERP modules and the upgrade of the ERP systems, including additional enhancements and features, and we expect to be complete with all phases of the implementation of the ERP systems by 2013. We believe the implementation and upgrade should help us to gain further efficiencies across our organization. Based on our estimates, which are subject to change, we currently expect to incur a total cost of up to $14 million for all these IT system upgrades. To date, we have incurred approximately $10.8 million of such costs. In addition to the above expenditures, we expect on an ongoing basis to make periodic upgrades to our IT systems.

In addition to the upgrades to our IT systems, in July 2008, we entered into an agreement with Cisco Systems for the purchase and implementation of various solutions to upgrade our current infrastructure for up to approximately $4.6 million. The purchase is financed through a capital lease over a five year term. Our plan is to provide a unified platform for our entire company and to provide a robust and efficient contact center. We received and completed the implementation of the Cisco solution across all of our locations in the second quarter of 2011.

Off-Balance Sheet Arrangements

As of December 31, 2011, we did not have any off-balance sheet arrangements.

Contingencies

For a discussion of contingencies, see Part II, Item 8, Note 9 of the Notes to the Consolidated Financial Statements of this report.

RELATED-PARTY TRANSACTIONS

For a discussion of related-party transactions, see Part II, Item 8, Note 15 of the Notes to the Consolidated Financial Statements of this report.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income" (ASU 2011-05), which amends existing guidance by allowing only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous financial statement, statement of comprehensive income or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. There is currently a proposal to defer the requirement to disclose items that are reclassified from other comprehensive income to net income on the face of the financial statements. ASU 2011-05 requires retrospective application, and it is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The new standard is not expected to have a material impact on our consolidated financial position or results of operations.

In September 2011, the FASB issued ASU No. 2011-08, "Testing Goodwill for Impairment" (ASU 2011-08), which allows entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The adoption of the provisions of this accounting guidance effective January 1, 2012 is not expected to have any effect on our consolidated financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments include cash and cash equivalents and long-term debt. At December 31, 2011, 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 December 31, 2011. 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 note payable. The variable interest rates on our line of credit and note payable are tied to the prime rate or the LIBOR, at our discretion. At December 31, 2011, we had $91.9 million outstanding under our line of credit and $9.9 million outstanding under our note payable. As of December 31, 2011, 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 $1.0 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 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 Consolidated Balance Sheets. As such, we have foreign currency translation exposure for changes in exchange rates for these currencies. As of December 31, 2011, we did not have material foreign currency or overall currency exposure. Significant changes in exchange rates between foreign currencies in which we transact business and the U.S. dollar may adversely affect our Consolidated Statements of Operations and Consolidated Balance Sheets.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Statements and Supplementary Data

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of PC Mall, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity, and cash flows present fairly, in all material respects, the financial position of PC Mall, Inc. and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing in Item 9A. Our responsibility is to express opinions on these financial statements, financial statement schedule, and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2011 and 2009). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
March 15, 2012

PC MALL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts and share data)

	At December 31, 2011	At December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,484	$ 10,711
Accounts receivable, net of allowances of $1,642 and $1,802	207,985	183,944
Inventories, net	79,456	63,583
Prepaid expenses and other current assets	9,681	10,022
Deferred income taxes	3,937	3,798
Total current assets	310,543	272,058
Property and equipment, net	44,745	21,851
Deferred income taxes	247	604
Goodwill	25,510	25,510
Intangible assets, net	9,840	11,749
Other assets	2,387	2,319
Total assets	$ 393,272	$ 334,091
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 122,523	$ 124,851
Accrued expenses and other current liabilities	31,797	31,279
Deferred revenue	18,079	12,206
Line of credit	91,852	50,301
Note payable — current	1,015	783
Total current liabilities	265,266	219,420
Notes payable and other long-term liabilities	11,574	4,607
Deferred income taxes	5,606	2,771
Total liabilities	282,446	226,798
Commitments and contingencies (Note 9)		
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; 14,368,888 and 14,089,672 shares issued; and 11,995,704 and 12,148,500 shares outstanding, respectively	14	14
Additional paid-in capital	108,061	104,894
Treasury stock, at cost: 2,373,184 and 1,941,172 shares	(9,733)	(7,176)
Accumulated other comprehensive income	2,256	2,465
Retained earnings	10,228	7,096
Total stockholders' equity	110,826	107,293
Total liabilities and stockholders' equity	$ 393,272	$ 334,091

See Notes to the Consolidated Financial Statements.

PC MALL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Years Ended December 31, 2011	2010	2009
Net sales	$ 1,455,219	$ 1,368,314	$ 1,138,061
Cost of goods sold	1,264,731	1,197,019	985,045
Gross profit	190,488	171,295	153,016
Selling, general and administrative expenses	181,461	156,827	145,274
Revaluation of earnout liability	(1,229)		
Impairment of indefinite-lived trademark	800	—	—
Operating profit	9,456	14,468	7,742
Interest expense, net	3,284	2,019	1,567
Income before income taxes	6,172	12,449	6,175
Income tax expense	3,040	4,876	2,818
Net income	$ 3,132	$ 7,573	$ 3,357
Basic and Diluted Earnings Per Common Share			
Basic	$ 0.26	$ 0.62	$ 0.27
Diluted	0.25	0.61	0.26
Weighted average number of common shares outstanding:			
Basic	12,225	12,220	12,373
Diluted	12,476	12,468	12,675

See Notes to the Consolidated Financial Statements.

PC MALL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock Outstanding	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total
Balance at December 31, 2008	12,681	$ 14	$ 99,732	$ (3,623)	$ 1,262	$ (3,834)	$ 93,551
Stock option and warrant exercises, including related income tax benefit	193	—	945	—	—	—	945
Stock-based compensation expense	—	—	1,684	—	—	—	1,684
Purchases of common stock under a stock repurchase program	(583)	—	—	(2,631)	—	—	(2,631)
Subtotal	—	—	—	—	—	—	93,549
Net income	—	—	—	—	—	3,357	3,357
Translation adjustments, net of taxes	—	—	—	—	849	—	849
Comprehensive income	—	—	—	—	—	—	4,206
Balance at December 31, 2009	12,291	14	102,361	(6,254)	2,111	(477)	97,755
Stock option exercises and restricted stock awards, including related income tax benefit	58	—	168	—	—	—	168
Stock-based compensation expense	—	—	2,365	—	—	—	2,365
Purchases of common stock under a stock repurchase program	(200)	—	—	(922)	—	—	(922)
Subtotal	—	—	—	—	—	—	99,366
Net income	—	—	—	—	—	7,573	7,573
Translation adjustments, net of taxes	—	—	—	—	354	—	354
Comprehensive income	—	—	—	—	—	—	7,927
Balance at December 31, 2010	12,149	14	104,894	(7,176)	2,465	7,096	107,293
Stock option exercises and restricted stock awards, including related income tax benefit	279	—	763	—	—	—	763
Stock-based compensation expense	—	—	2,404	—	—	—	2,404
Purchases of common stock under a stock repurchase program	(432)	—	—	(2,557)	—	—	(2,557)
Subtotal	—	—	—	—	—	—	107,903
Net income	—	—	—	—	—	3,132	3,132
Translation adjustments, net of taxes	—	—	—	—	(209)	—	(209)
Comprehensive income	—	—	—	—	—	—	2,923
Balance at December 31, 2011	11,996	$ 14	$ 108,061	$ (9,733)	$ 2,256	$ 10,228	$ 110,826

See Notes to the Consolidated Financial Statements.

PC MALL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31, 2011	2010	2009
Cash Flows From Operating Activities			
Net income	$ 3,132	$ 7,573	$ 3,357
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	10,044	8,157	5,597
Provision for deferred income taxes	2,634	3,327	4,273
Net tax benefit related to stock option exercises	1	96	309
Excess tax benefit related to stock option exercises	(668)	(31)	(289)
Non-cash stock-based compensation	2,404	2,365	1,684
Decrease in earnout liability	(1,229)	—	—
Impairment of indefinite-lived trademark	800	—	—
(Gain) loss on sale of fixed assets	(7)	14	22
Change in operating assets and liabilities:			
Accounts receivable	(23,151)	(21,516)	(12,921)
Inventories	(14,889)	4,981	(719)
Prepaid expenses and other current assets	178	(561)	(1,942)
Other assets	217	324	(24)
Accounts payable	(9,425)	19,352	(779)
Accrued expenses and other current liabilities	2,033	2,351	(2,672)
Deferred revenue	5,873	1,908	(4,858)
Total adjustments	(25,185)	20,767	(12,319)
Net cash (used in) provided by operating activities	(22,053)	28,340	(8,962)
Cash Flows From Investing Activities			
Purchase of El Segundo building, related improvements, furniture and equipment	(17,174)	—	—
Purchases of property and equipment	(10,865)	(8,019)	(8,240)
Acquisition of assets, net	(2,284)	(8,788)	(1,020)
Proceeds from sale of fixed assets	25	19	—
Net cash used in investing activities	(30,298)	(16,788)	(9,260)
Cash Flows From Financing Activities			
Net borrowings (payments) under line of credit	41,205	(4,236)	24,117
Change in book overdraft	7,034	(3,454)	(1,117)
Borrowings under notes payable	7,198	—	—
Payments under notes payable	(757)	(1,143)	(1,004)
Payments for deferred financing costs	(25)	(104)	—
Payments of obligations under capital lease	(1,203)	(483)	(450)
Payment of earnout liability	(1,121)	—	—
Proceeds from stock issued under stock option plans	762	72	636
Excess tax benefit related to stock option exercises	668	31	289
Common shares repurchased and held in treasury	(2,557)	(922)	(2,631)
Net cash provided by (used in) financing activities	51,204	(10,239)	19,840
Effect of foreign currency on cash flow	(80)	183	849
Net change in cash and cash equivalents	(1,227)	1,496	2,467
Cash and cash equivalents at beginning of the period	10,711	9,215	6,748
Cash and cash equivalents at end of the period	$ 9,484	$ 10,711	$ 9,215
Supplemental Cash Flow Information			
Interest paid	$ 2,797	$ 1,829	$ 1,516
Income taxes paid	4,157	1,558	2,446
Supplemental Non-Cash Investing and Financing Activities (Notes 4 and 7)			
Purchase of infrastructure system	$ 2,779	$ —	$ 1,105
Deferred financing costs	346	1,410	—
NSPI and DSW acquisitions related:			
Fair value of assets, net of cash acquired	$ —	$ 13,472	$ 1,510
Cash paid	—	(8,788)	(1,020)
Liabilities assumed	$ —	$ 4,684	$ 490

See Notes to the Consolidated Financial Statements.

PC MALL, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Company

PC Mall, Inc. is a leading value added direct marketer of technology products, services and solutions to businesses, government and educational institutions and individual consumers. We go to market through our dedicated sales force of over 700 account executives. We also offer our products, services and solutions through our field service teams, various direct marketing techniques and a limited number of retail stores. Since our founding in 1987, we have served our customers in part by offering them multi-branded hardware solutions from leading brands including HP, Apple, Cisco, Microsoft and Lenovo. Through us, these and other manufacturers are able to reach multiple customer segments including consumers, small and medium sized businesses, large enterprise businesses, as well as state, local and federal governments and educational institutions. We add additional value to our manufacturer partners by being able to sell, deliver and incorporate their products and services into comprehensive solutions with a high degree of customization. Our model also facilitates an efficient supply chain and support mechanism for manufacturers by using a combination of direct marketing, centralized selling and support, and centralized product fulfillment.

In conjunction with our eCost.com acquisition, which is discussed in detail below, beginning with the first quarter of 2011, our management considered the OnSale and eCOST businesses together as a separate segment and report their results accordingly, including revising all historical segment financial information reported herein. As such, in 2011, existing sales under the OnSale brand were no longer reported under the MacMall segment. In 2011, we had five operating segments, SMB, MME, Public Sector, MacMall and OnSale. We include corporate related expenses such as legal, accounting, information technology, product management, certain support services and other administrative costs that are not otherwise allocated to our reportable operating segments in Corporate and Other. In 2011, we generated approximately 37% of our revenue in our MME segment, 35% of our revenue in our SMB segment, 13% of our revenue in our MacMall segment, 12% of our revenue in our Public Sector segment and 3% of our revenue in our OnSale segment.

Our SMB segment consists of sales made primarily to small and medium sized businesses, generally with less than 1,000 employees. The SMB segment utilizes an outbound phone based sales force and, where applicable, a field-based sales force, together with an online extranet customized for individual customers that enables them to manage their IT procurement process. In addition, the SMB segment markets to small businesses through its Small Business Network utilizing its own social network site at www.pcmallsbn.com.

Our MME segment consists of sales made primarily to mid-market and enterprise-sized businesses, generally with more than 1,000 employees, under the SARCOM, NSPI and Abreon brands. The MME segment sells complex products, services and solutions, utilizing a field relationship-based selling model, an outbound phone based sales force, a field service 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 historically included sales made under our MacMall brand name via telephone and the Internet to consumers, small businesses and creative professionals.

Our OnSale segment historically included sales made under our OnSale and eCost brand names via the Internet and inbound phone-based sales forces. The OnSale segment has utilized traditional internet marketing as well as our recently developed "daily deals" business model. Beginning in the first quarter of 2011, in response to what we believe to be a rapidly changing way in which consumers shop and go to market, our OnSale segment expanded its business to enter the market for local daily deals through social commerce. As this market and its related customer buying behaviors have continued to evolve, the "daily deals" business model is rapidly expanding to include sales of IT products. In response to these developments, we have determined that our strategic objectives can be best achieved by incorporating the best practices, technologies and methodologies we have developed in our stand alone "daily deals" business into our traditional eCommerce platform and no longer operating a stand alone "daily deals" business. In the first quarter of 2012, we expect to realign our operating segments by consolidating the OnSale and MacMall segments.

2. Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements included herein are presented on a consolidated basis and include our accounts and the accounts of all of our wholly-owned subsidiaries after elimination of intercompany accounts and transactions.

Use of Estimates in the Preparation of the Consolidated Financial Statements

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates, judgments and assumptions that affect the amounts reported herein. Management bases its estimates, judgments and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods could differ from those estimates.

Revenue Recognition

We adhere to the revised guidelines and principles of sales recognition described in ASC 605 (formerly Staff Accounting Bulletin No. 104, "Revenue Recognition," issued by the staff of the SEC as a revision to Staff Accounting Bulletin No. 101, "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 and 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.

Certain software assurance or subscription products and extended warranties that we sell (for which we are not the primary obligor) are recognized on a net basis in accordance with ASC 605-45 (formerly Emerging Issues Task Force ("EITF") Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent)." Accordingly, such revenues are recognized in net sales either at the time of sale or over the contract period, based on the nature of the contract, at the net amount retained by us, with no cost of goods sold.

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.

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.

Cost of Goods Sold

Cost of goods sold includes product costs, outbound and inbound shipping costs and costs of delivered services, offset by certain market development funds, volume incentive rebates and other consideration from vendors as described in "Advertising Costs and Vendor Consideration" below.

Cash and Cash Equivalents

All highly liquid investments with initial maturities of three months or less and credit card receivables with settlement terms less than 5 days are considered cash equivalents. Amounts due from credit card processors classified as cash totaled $3.9 million and $4.1 million at December 31, 2011 and 2010. Checks issued but not presented for payment to the bank, net of available cash subject to a right of offset, totaling $7.7 million and $0.7 million as of December 31, 2011and 2010 were included in "Accounts payable" in our Consolidated Balance Sheets. Our cash management programs result in utilizing available cash to pay down our line of credit.

Accounts Receivable

We generate the majority of our accounts receivable through the sale of products and services to certain customers on account. In addition, we record vendor receivables at such time as all conditions have been met that would entitle us to receive such vendor funding, and is thereby considered fully earned.

The following table presents the gross amounts of our accounts receivable (in thousands):

	December 31,	
	2011	2010
Trade receivables	$ 183,337	$ 161,930
Vendor receivables	23,236	22,132
Other receivables	3,054	1,684
Total gross accounts receivable	209,627	185,746
Less: Allowance for doubtful accounts receivable	(1,642)	(1,802)
Accounts receivable, net	$ 207,985	$ 183,944

For the years ended December 31, 2011 and 2010, "Vendor receivables" presented above included $15.9 million and $13.4 million, respectively, of unbilled receivables relating to vendor consideration, which is described below under "Advertising Costs and Vendor Consideration."

Accounts receivable potentially subject us to credit risk. 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. No customer accounted for more than 10% of trade accounts receivable at December 31, 2011 and 2010. We maintain an allowance for doubtful accounts receivable based upon estimates of future collection. We regularly evaluate our customers' financial condition and credit history in determining the adequacy of our allowance for doubtful accounts. We have historically incurred credit losses within management's expectations. 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.

Inventories

Inventories consist primarily of finished goods, and are stated at the lower of cost (determined under the first-in, first-out method) or market. We had reserves of $1.5 million and $1.3 million as of December 31, 2011 and 2010, reflecting lower of cost or market pricing and allowance for potential excess and obsolete inventory. As discussed under "Revenue Recognition" above, we do not record revenue and related cost of goods sold until there is persuasive evidence of an arrangement for sale, delivery has occurred, the sales price is fixed and determinable and collectability is reasonably assured. As such, inventories include goods-in-transit to customers at December 31, 2011 and 2010.

A substantial portion of our business is dependent on sales of Apple, HP, and products purchased from other vendors including Adobe, Cisco, IBM, Ingram Micro, Lenovo, Microsoft, Sony, Sun Microsystems and Tech Data. Products manufactured by Apple represented approximately 21%, 21% and 19% of our net sales in 2011, 2010 and 2009. Products manufactured by HP represented 20%, 20% and 19% of our net sales in 2011, 2010 and 2009.

Advertising Costs and Vendor Consideration

We account for advertising costs in accordance with ASC 340-20 (formerly Statement of Position No. 93-7, "Reporting on Advertising Costs"). Our advertising expenditures are generally expensed in the period incurred. Total net advertising expenditures, which were included in "Selling, general and administrative expenses" in our Consolidated Statements of Operations, were $7.4 million, $5.4 million and $8.5 million in the years ended December 31, 2011, 2010 and 2009, respectively.

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 (formerly EITF 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor") 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."

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as noted below. Leasehold improvements are amortized over the shorter of their useful lives or the remaining lease term. We also capitalize computer software costs that meet both the definition of internal-use software and defined criteria for capitalization in accordance with ASC 350-40 (formerly SOP 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use").

Autos	3 – 5 years
Computers, software, machinery and equipment	1 – 7 years
Leasehold improvements	1 – 10 years
Furniture and fixtures	3 – 15 years
Building and improvements	5 – 31 years

We had $8.6 million and $4.6 million of unamortized internally developed software at December 31, 2011 and 2010, respectively.

Disclosures About Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities approximate their fair values because of the short-term maturity of these instruments. The carrying amounts of our line of credit borrowings and notes payable approximate their fair values based upon the current rates offered to us for obligations of similar terms and remaining maturities.

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 December 31 of each year. Under ASC 350 (formerly SFAS No. 142, "Goodwill and Other Intangible Assets"), 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 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.

As of December 31, 2011, we performed our annual impairment analysis of goodwill and indefinite-lived intangible assets for possible impairment. 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, we have determined that a SARCOM trademark was impaired as a result of a reassessment of its remaining useful life and recorded a non-cash impairment charge of $0.8 million as "Impairment of indefinite-lived trademark" in our Consolidated Financial Statements for the year ended December 31, 2011. We have determined that no other impairment of goodwill and other indefinite-lived intangible assets existed as of December 31, 2011.

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 values of our trademarks were 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 December 31, 2011. In performing the step one analysis of fair value, we concluded that the estimated fair values of each of the Sarcom, Abreon and NSPI reporting units were between 9-10% greater than their individual carrying values. All of our $25.5 million of goodwill resides within these reporting units. However, 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. For example, a change of 2-3% in our weighted-average cost of capital assumptions or a significant change in our estimated earnings growth for any of the three reporting units would have resulted in a fair value at, or slightly below, our current carrying value of these reporting units.

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 December 31, 2011, 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 between 20-25% as of December 31, 2011. 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 December 31, 2011 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 December 31, 2012 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.

Valuation of Long-Lived Assets

We review long-lived assets and certain intangible assets for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. In the event the undiscounted future cash flow attributable to the asset is less than the carrying amount of the asset, an impairment loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Changes in estimates of future cash flows attributable to the long-lived assets could result in a write-down of the asset in a future period.

Debt Issuance Costs

We defer costs incurred to obtain our credit facility and amortize these costs to interest expense using the straight-line method over the term of the respective obligation.

Income Taxes

We account for income taxes under the liability method as prescribed in accordance with ASC 740 (formerly SFAS No. 109, "Accounting for Income Taxes"). Under this method, deferred tax assets and liabilities are recognized by applying enacted statutory tax rates applicable to future years to differences between the tax basis and financial reporting amounts of existing assets and liabilities. We make certain estimates and judgments in determining income tax provisions and benefits, in assessing the likelihood of recovering our deferred tax assets and in evaluating our tax positions. A valuation allowance is provided when it is more likely than not that all or some portion of deferred tax assets will not be realized. See Note 8 for more detailed information.

We account for uncertainty in income taxes recognized in financial statements in accordance with ASC 740 (formerly FIN 48, "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109,") which we adopted on January 1, 2007. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Only tax positions that meet the more-likely-than-not recognition threshold may be recognized. Under ASC 740, we recognize penalties and interest accrued related to unrecognized tax benefits, if any, as part of "Income tax expense (benefit)" in our Consolidated Statements of Operations.

Sales Taxes

We present sales tax we collect from our customers on a net basis (excluded from our revenues), a presentation which is prescribed as one of two methods available under ASC 605-45-50-3 (formerly EITF Issue No. 06-03, "How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)").

Stock-Based Compensation

We account for stock-based compensation in accordance with ASC 718 (formerly Financial Accounting Standards Board Statement No. 123 (revised 2004), "Share-Based Payment"), using the modified prospective application transition method. 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. ASC 718 generally requires that such transactions be accounted for using a fair value based method and recognized as expenses in our Consolidated Statements of Operations.

Pursuant to ASC 718, we estimate the grant date fair value of each stock option grant awarded pursuant to ASC 718 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 extensive use of accounting judgment and financial estimates. In estimating our assumption regarding expected term for options we granted during the years ended December 31, 2011, 2010 and 2009, we computed the expected term 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 will be revised, if necessary, in future periods if actual forfeitures differ from those estimates. 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.

Foreign Currency Translation

The local currency of our foreign operations is their functional currency. The financial statements of our foreign subsidiaries are translated into U.S. dollars in accordance with ASC 830-30 (formerly SFAS No. 52, "Foreign Currency Translation"). Accordingly, the assets and liabilities of our Canadian and Philippine subsidiaries are translated into U.S. dollars at the exchange rate in effect at the balance sheet dates. Income and expense items are translated at the average exchange rate for each month within the year. The resulting translation adjustments are recorded in "Accumulated other comprehensive income (loss)," a separate component of stockholders' equity on our Consolidated Balance Sheets. All transaction gains or losses are recorded in "Selling, general and administrative expenses" on our Consolidated Statements of Operations. These gains or losses were not material in any of the years presented in our consolidated financial statements.

Recent Accounting Pronouncements

In June 2011, the FASB issued ASU 2011-12, "Comprehensive Income" (ASU 2011-12), which amends existing guidance by allowing only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous financial statement, statement of comprehensive income or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. There is currently a proposal to defer the requirement to disclose items that are reclassified from other comprehensive income to net income on the face of the financial statements. ASU 2011-12 requires retrospective application, and it is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The new standard is not expected to have a material impact on our consolidated financial position or results of operations.

In September 2011, the FASB issued ASU No. 2011-08, "Testing Goodwill for Impairment" (ASU 2011-08), which allows entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The adoption of the provisions of this accounting guidance effective January 1, 2012 is not expected to have any effect on our consolidated financial position or results of operations.

3. Stock-Based Compensation

Stock-Based Benefit Plans

1994 Stock Incentive Plan

In November 1994, our Board of Directors and stockholders approved the 1994 Stock Incentive Plan, as amended in May 2000 and June 2002 and approved by our Board of Directors and stockholders (the "1994 Plan"), which provides for the grant of equity awards such as stock options, restricted stock or restricted stock units to our employees, officers, directors and consultants. The 1994 Plan has an "evergreen provision" which automatically increases the number of shares of our common stock available for issuance under the 1994 Plan as of January 1 of each year by three percent of our outstanding common stock as of December 31 of the immediately preceding fiscal year. Under the 1994 Plan, we may grant options ("Incentive Stock Options") within the meaning of Section 422A of the Internal Revenue Code, or options not intended to qualify as Incentive Stock Options ("Nonstatutory Stock Options").

The 1994 Plan is administered by the Compensation Committee of the Board of Directors. Subject to the provisions of the 1994 Plan, the Compensation Committee has the authority to select the employees, officers, directors and consultants to whom options are granted and determine the terms of each option, including (i) the number of shares of common stock covered by the option, (ii) when the option becomes exercisable, (iii) the option's exercise price, which must be at least 100% of the fair market value of the common stock as of the date of grant with respect to Incentive Stock Options, and (iv) the duration of the option (which may not exceed ten years). All options generally vest over three to five years, expire ten years from the grant date, are granted at exercise prices equal to the market price of our stock at grant date and are nontransferable other than by will or by the laws of descent and distribution. The Compensation Committee has delegated to our Chief Executive Officer the authority to approve option grants to eligible employees under the 1994 Plan (other than executive officers), subject to certain numerical limits. The Compensation Committee has delegated to our Chief Executive Officer the authority to approve option grants to eligible employees under the 1994 Plan (other than executive officers), subject to certain numerical limits.

At December 31, 2011, a total of 778,200 shares of authorized and unissued shares were available for future grants. All options granted through December 31, 2011 have been Nonstatutory Stock Options. We satisfy stock option exercises with newly issued shares.

Stock-Based Compensation

For the years ended December 31, 2011, 2010 and 2009 and 2008, we recognized stock-based compensation expense of $2.4 million, $2.4 million and $1.7 million in "Selling, general and administrative expenses" in our Consolidated Statements of Operations, and related deferred income tax benefits of $0.9 million, $0.9 million and $0.8 million.

Valuation Assumptions

We estimated the grant date fair value of each stock option grant awarded during the years ended December 31, 2011, 2010 and 2009 pursuant to ASC 718 using the Black-Scholes option pricing model and management assumptions made regarding various factors which require extensive use of accounting judgment and financial estimates. In estimating our assumption regarding the expected term for options granted during the year ended December 31, 2011, 2010 and 2009, we computed the expected term based upon an analysis of historical exercises of stock options by our employees. We computed our expected volatility using historical prices of our common stock for a period equal to the expected term of the options, which we determined to be six years for grants made during each of the years ended December 31, 2011, 2010 and 2009. The risk free interest rate was determined using the implied yield on U.S. Treasury issues with a remaining term within the contractual life of the award. Each year, we estimated an annual forfeiture rate based on our historical forfeiture data, which rate is revised, if necessary, in future periods if actual forfeitures differ from those estimates.

The following table presents the weighted average assumptions we used in each of the following years:

	Years Ended December 31, 2011	2010
Risk free interest rate	1.84%	2.51%
Expected volatility	75%	78%
Expected term (in years)	6	6
Expected dividend yield	None	None

Stock-Based Payment Award Activity

Stock Options

The following table summarizes our stock option activity during the year ended December 31, 2011 and stock options outstanding and exercisable at December 31, 2011 for the above plans:

	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2010	3,339,585	$ 5.81		
Granted	495,000	7.79		
Exercised	(276,428)	2.76		
Forfeited	(78,369)	6.48		
Expired/cancelled	(719)	0.77		
Outstanding at December 31, 2011	3,479,069	6.32	6.35	$ 3,371
Exercisable at December 31, 2011	2,256,340	6.38	5.24	2,293

The aggregate intrinsic value is calculated for in-the-money options based on the difference between the exercise price of the underlying awards and the closing price of our common stock on December 31, 2011, which was $6.28.

	Years Ended December 31, 2011	2010	2009
Weighted average grant-date fair value of options granted during the period	$ 5.16	$ 3.32	$ 4.87
Total intrinsic value of options exercised during the period (in thousands)	1,821	95	805
Total fair value of shares vested during the period (in thousands)	2,387	2,290	1,603

On March 6, 2012, our Compensation Committee approved and granted, under our 1994 Plan, the award of options to purchase 200,000 shares of our common stock to Mark T. McGrath, our new President. These options were issued at an exercise price of $5.54 with a ten-year life, and vest quarterly over a five-year term.

Restricted Stock

On August 21, 2009, our Compensation Committee approved and granted, under our 1994 Plan, the award of 7,500 shares of restricted stock to each of our non-employee members of the board for a total award of 22,500 shares of restricted stock. The restricted stock awards each vested quarterly in equal amounts over a one year period from the date of grant. In accordance with ASC 718 (formerly SFAS 123R), we valued the restricted stock award at fair value as of the grant date and we recognized compensation expense on a straight-line basis over the vesting period. The grant date fair values of restricted stock awards which vested during 2010 and 2009 were $134,831 and $125,224.

As of December 31, 2011, there was $4.3 million of unrecognized compensation cost related to unvested outstanding stock options. We expect to recognize these costs over a weighted average period of 3.08 years.

4. Acquisitions

eCOST.com

On February 18, 2011, we acquired certain assets, including approximately $1 million of inventory, of eCOST.com, a subsidiary of PFSweb, Inc., for $2.3 million. Also, as part of this acquisition, we assumed certain liabilities related to a web-based promotional membership program available on eCOST.com's website and liabilities with respect to customer warranty claims, credits, returns and refunds related to transactions of eCOST.com's business or through the website from and after the acquisition date. eCOST.com is an online marketplace featuring an assortment of product categories, including but not limited to computers, networking, electronics and entertainment, TVs, monitors and projectors, cameras and camcorders, memory and storage, apparel, and sports and leisure items. The website also features a proprietary and patented shopping format, Bargain Countdown®, which amongst other features, offers limited time, limited quantity deals, and supports its premium online membership shopping club. eCOST.com commenced business in 1999 as a subsidiary of PC Mall. In September 2004, eCOST.com completed an initial public offering of approximately 19.8% of its outstanding common stock. In April 2005, we completed a spin-off of eCOST.com by distributing all of our remaining ownership interest in eCOST.com to our stockholders. In February 2006, eCOST.com was acquired by PFSweb in a stock for stock merger.

NSPI

In June 2010, Sarcom, Inc. ("SARCOM"), our wholly-owned subsidiary, completed the acquisition of substantially all of the assets of Network Services Plus, Inc. ("NSPI"). NSPI, primarily a provider of hosted data center and managed IT services in the southeastern United States, had approximately 73 employees as of the closing date, 53 of whom are billable IT resources. The terms of the transaction included an initial purchase price of $7.8 million, less a customary hold-back to settle possible indemnity claims. In addition, we extinguished substantially all of NSPI's indebtedness that existed immediately prior to the closing date of our acquisition. We have recorded identifiable intangible assets of $2.6 million related to customer relationships, $0.5 million related to trademarks and $0.3 million related to a non-compete agreement, with estimated useful lives of 10, 10 and 4 years, respectively. In addition, pursuant to the terms of the asset purchase agreement, NSPI's shareholders can earn additional consideration based on the performance of the NSPI business over two years following the acquisition, up to a total of approximately $5.2 million. In accordance with ASC 805, "Purchase Price Allocations" (formerly FAS No. 141R), based on a valuation of the fair value of the contingent consideration, we initially recorded additional goodwill and a corresponding liability of $3.2 million for future earnout payments. Such valuation is based upon management's initial forecasts of expected profitability of NSPI during the earnout period, and will be updated, if necessary, in future periods with adjustments reflected in our consolidated statement of operations. In 2011, we recorded an adjustment to reduce the earnout liability by $1.2 million to reflect the decrease in estimated fair value of the earnout liability, and such adjustment is reflected as "Revaluation of earnout liability" on our Consolidated Statements of Operations for the year ended December 31, 2011.

5. Property and Equipment

Property and equipment consisted of the following (in thousands):

	At December 31,	
	2011	2010
Computers, software, machinery and equipment	$ 56,217	$ 47,665
Leasehold improvements	4,660	6,224
Furniture and fixtures	4,266	3,249
Building and improvements	7,119	1,725
Land	8,264	912
Software development and other equipment in progress	4,858	3,949
Subtotal	85,384	63,724
Less: Accumulated depreciation and amortization	(40,639)	(41,873)
Property and equipment, net	$ 44,745	$ 21,851

Depreciation and amortization expense for property and equipment, including fixed assets under capital leases, for the years ended December 31, 2011, 2010 and 2009 totaled $7.8 million, 6.3 million and $4.0 million.

In March 2011, we completed the purchase of the real property comprising approximately 82,000 square feet of office space located at 1940 East Mariposa Avenue, El Segundo, California, which became our new corporate headquarters. We moved into this building from our current headquarters located in Torrance, California in November 2011. The total purchase price was $9.6 million. Based on the proportionate appraised values, we allocated $7.4 million of the purchase price to land and $2.2 million to building. We made certain improvements to the property and made purchases of additional furniture and equipment totaling approximately $7.6 million as of December 31, 2011.

In June 2011, we entered into a credit agreement to finance the purchase and improvement of this real property. The credit agreement provides a commitment for a loan up to $10.9 million of which there was $7.2 million outstanding at December 31, 2011. See Note 7 below for more information. In February 2012, we drew down an additional $2.9 million on this facility. Principal repayment began in March 2012.

In February 2012 we entered into capital lease agreements with US Bank for approximately $3.0 million for various furniture and equipment at our El Segundo headquarters office. We expect to enter into approximately $1.3 million of additional capital lease agreements in the near term.

6. Goodwill and Intangible Assets

Goodwill

The changes in the carrying amounts of goodwill were as follows (in thousands):

	SMB	MME	Public Sector	MacMall	OnSale	Corporate & Other	Consolidated
Balance at December 31, 2009	$ —	$ 19,291	$ —	$ —	$ —	$ —	$ 19,291
Acquisition of NSPI	—	6,219	—	—	—	—	6,219
Balance at December 31, 2010	$ —	$ 25,510	$ —	$ —	$ —	$ —	$ 25,510
Balance at December 31, 2011	$ —	$ 25,510	$ —	$ —	$ —	$ —	$ 25,510

Intangible Assets

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

	Weighted Average Estimated Useful Lives (years)	At December 31, 2011			At December 31, 2010		
		Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Patent, trademarks & URLs	5	$ 5,715(1)	$ 372	$ 5,343	$ 5,925(1)	$ 203	$ 5,722
Customer relationships	6	10,600	6,431	4,169	10,100	4,672	5,428
Non-compete agreements	4	1,070	742	328	1,168	569	599
Total intangible assets		$ 17, 385	$ 7,545	$ 9,840	$ 17,193	$ 5,444	$ 11,749

(1) Included in the total amount for "Patent, trademarks & URLs" at December 31, 2011and 2010 are $2.9 million and $5.2 million, respectively, of trademarks with indefinite useful lives acquired in the SARCOM acquisition that are not amortized.

Amortization expense for intangible assets was $2.2 million, $1.9 million and $1.5 million in each of the years ended December 31, 2011, 2010 and 2009.

Estimated amortization expense for intangible assets in each of the next five years and thereafter, as applicable, as of December 31, 2011 is as follows: $2.7 million in 2012, $1.8 million in 2013, $0.6 million in 2014, $0.5 million in 2015, $0.3 million in 2016 and $1.0 million thereafter.

7. Line of Credit and Note Payable

We maintain an asset-based revolving credit facility, as amended from time to time and most recently amended as of December 14, 2010, of up to $160 million from a lending unit of a large commercial bank. The credit facility provides for, among other things, (i) a credit limit of $160 million, which may be increased in increments of $5 million up to a total credit limit of $180 million, provided that any increase of the total credit limit in excess of $160 million is subject to, among other things, an acceptance and commitment by the lenders to such excess amount and a line increase fee not to exceed 0.65% of the increased amount; (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 March 31, 2015. 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, 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. There can be no assurance that the lenders, if we elected to increase the credit limit, will commit to the remaining excess $20 million of credit beyond the $160 million in any future period. As a result, we may not be able to access the credit facility beyond its current limit of $160 million.

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 for each twelve-month periods ending on or after December 31, 2011. At December 31, 2011, we were in compliance with our financial covenant.

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 utilization of early-pay discounts. At December 31, 2011, we had $91.9 million of net working capital advances outstanding under the line of credit. At December 31, 2011, the maximum credit line was $160 million and we had $49.7 million available to borrow for working capital advances under the line of credit.

In connection with and as part of the amended credit facility, we entered into an amended term note on December 14, 2010 with a principal balance of $2.87 million, payable in equal monthly principal installments beginning on January 1, 2011, plus interest at the prime rate with a LIBOR option. The amended term note matures in December 2017 or in the event of a default, termination or non-renewal of our credit facility, is payable in its entirety upon demand by our lender. At December 31, 2011, we had $2.46 million outstanding under the amended term note. The remaining balance of our term note matures as follows: $410,000 annually in each of the years 2012 through 2017.

At December 31, 2011, our effective weighted average annual interest rate on outstanding amounts under the credit facility and term note was 2.36%.

At December 31, 2011, $0.2 million relating to the financing of our purchase of Microsoft AX (Axapta), which is a part of our ERP upgrade, were included in our "Notes payable — current" on our Consolidated Balance Sheets. See "Other Planned Capital Projects" below for a detailed discussion.

In June 2011, we entered into a credit agreement to finance the acquisition and improvement of real property we purchased in March 2011 in El Segundo, California. The credit agreement provides for a lending commitment for a loan up to $10.9 million with a five year term and a 25 year straight-line principal repayment amortization period with a balloon payment at maturity. Interest is variable, indexed to Prime plus a spread of 0.375% or LIBOR plus a spread of 2.375% at our option, payable monthly. At December 31, 2011, we had $7.2 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. In February 2012, we drew down an additional $2.9 million under this credit agreement. See Note 16 for more information.

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.

8. Income Taxes

Our income tax expense consisted of the following for the years ended December 31 (in thousands):

	2011	2010	2009
Current			
Federal	$ (377)	$ 966	$ (1,701)
State	697	583	246
Foreign	86	—	—
Total — Current	406	1,549	(1,455)
Deferred			
Federal	1,916	2,846	3,998
State	245	238	146
Foreign	473	243	129
Total — Deferred	2,634	3,327	4,273
Total income tax expense	$ 3,040	$ 4,876	$ 2,818

The provision for income taxes differed from the amount computed by applying the U.S. federal statutory rate to income before income taxes due to the effects of the following:

	2011	2010	2009
Expected taxes at federal statutory tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	3.8	3.5	3.8
Change in valuation allowance	7.8	0.6	(0.2)
Income from foreign subsidiary	—	—	5.6
Non-deductible business expenses	5.6	2.0	3.0
Other	(2.0)	(1.0)	(0.6)
Total	49.2%	39.1%	45.6%

The significant components of deferred tax assets and liabilities were as follows at December 31 (in thousands):

	2011	2010
Deferred tax assets (liabilities):		
Accounts receivable	$ 632	$ 680
Inventories	170	194
Property and equipment	(7,591)	(2,879)
Amortization	(1,964)	(1,933)
Accrued expenses and reserves	3,130	2,828
Foreign employment tax subsidy	(1,969)	(1,533)
Tax credits and loss carryforwards	4,929	2,881
Other	(10)	96
Total deferred tax (liabilities) assets	(2,673)	334
Valuation allowance	(719)	(237)
Net total deferred tax (liabilities) assets	$ (3,392)	$ 97

The valuation allowance relates entirely to state net operating loss carryforwards generated by subsidiaries in a cumulative loss position.

Current deferred tax liabilities relating to foreign employment tax subsidy of $2.0 million and $1.5 million at December 31, 2011 and 2010, respectively, as provided in the table above, were included as part of "Accrued expenses and other current liabilities" on our Consolidated Balance Sheets.

At December 31, 2011, we had state net operating loss carryforwards of $31.6 million, which begin to expire at the end of 2013, and federal net operating loss carryforwards and carrybacks of $12.7 million, which begin to expire at the end of 2024. $5.3 million of the federal net operating loss carryforwards and $2.5 million of the state net operating loss carryforwards relate to pre-acquisition losses from an acquired subsidiary and, accordingly, are subject to annual limitations as to their use under the provisions of IRC Section 382. As such, the extent to which these losses may offset future taxable income may be limited.

The exercise of stock options and warrants in 2011 and 2010 resulted in no tax benefits in 2011 and approximately $34,000 in 2010 that have been reflected as a reduction of taxes payable and an increase to additional paid-in capital.

Accounting for Income Taxes

We account for income taxes under the liability method. Under this method, deferred income taxes are recognized by applying enacted statutory tax rates applicable to future years to differences between the tax bases and financial reporting amounts of existing assets and liabilities. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon sufficient taxable income within the carryback years and the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers taxable income in carryback years, if carryback is permitted in the tax law, the projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and the projections for future taxable income over the periods when the deferred tax assets are deductible, management believes it is more likely than not that we will realize all of these deductible differences. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward periods are reduced.

Accounting for Uncertainty in Income Taxes

At December 31, 2011, we had no material unrecognized tax positions. For the years ended December 31, 2011, 2010 and 2009, we did not recognize any interest or penalties for uncertain tax positions. There were also no accrued interest and penalties at December 31, 2011 and December 31, 2010. Since we did not have any unrecognized tax benefits at December 31, 2011, we do not, accordingly, anticipate any significant increases or decreases within the next twelve months.

We have elected to classify interest and penalties related to income tax liabilities, when applicable, as part of interest and penalty expense in our consolidated statement of income rather than as a component of income tax expense.

We are subject to U.S. and foreign income tax examinations for years subsequent to 2007, and state income tax examinations for years following 2006. In addition, certain federal and state net operating loss carryforwards generated after 2003 and 1997, respectively, and used in a subsequent year, may still be adjusted by a taxing authority upon examination.

9. Commitments and Contingencies

Commitments

We lease office and warehouse space and equipment under various non-cancelable operating leases which provide for minimum annual rentals and escalations based on increases in real estate taxes and other operating expenses. We also have minimum commitments under non-cancelable contracts for services relating to telecommunications, IT maintenance, financial services and employment contracts with certain employees (which consist of severance arrangements that, if exercised, would become payable in less than one year). In addition, we have obligations under capital leases for computers and related equipment, telecommunications equipment and software. As of December 31, 2011, minimum payments over the terms of applicable contracts were payable as follows (in thousands):

	2012	2013	2014	2015	2016	Thereafter	Total
Operating lease obligations	$ 5,121	$ 4,680	$ 3,503	$ 2,146	$ 1,568	$ 227	$ 17,245
Capital lease obligations	1,490	1,401	697	353	147	—	4,088
Other commitments (a)	8,411	1,123	384	50	—	—	9,968
Standby Letters of Credit (b)	10,000	—	98	—	—	—	10,098
Earn-out (c)	1,100	—	—	—	—	—	1,100
Total minimum payments	$ 26,122	$ 7,204	$ 4,682	$ 2,549	$ 1,715	$ 227	$ 42,499

(a) Other commitments consist of minimum commitments under non-cancelable contracts for services relating to telecommunications, IT maintenance, financial services and employment contracts with certain employees (which consist of severance arrangements that, if exercised, would become payable in less than one year).

(b) Standby LOCs are commitments issued to third party beneficiaries, underwritten by a third party bank, representing funding responsibility in the event of third party demands or contingent events. The outstanding balance of our standby LOCs reduces the amount available to us from our revolving credit facility. The LOC amounts in the table above represent the amount of commitment expiration per period presented. There were no claims made against any standby LOCs during the year ended December 31, 2011.

(c) Earn-out represents the fair value of the future contingent liability, arising from our acquisition of NSPI, as it is recorded on our Consolidated Balance Sheet under "Accrued expenses and other current liabilities." At completion of acquisition of NSPI in June 2010, the fair value of the earn-out was based on an initial valuation of the fair value of the contingent consideration, under which the sellers of NSPI can earn up to a total of approximately $5.2 million over a two year period commencing from the acquisition date. The earn-out amounts in the table above represent the fair value of the contingent liability at December 31, 2011 and the respective earn-out periods.

For the years ended December 31, 2011, 2010 and 2009, total rent expense, net of sublease income, totaled $6.6 million, $6.6 million and $6.3 million. Some of the leases contain renewal options and escalation clauses, and require us to pay taxes, insurance and maintenance costs.

In February 2012, AF Services, LLC, our wholly-owned subsidiary, entered into a capital lease agreements with US Bank for approximately $3.0 million of various furniture and equipment at our El Segundo headquarters office. See Note 16 below for more detailed information.

On February 28, 2012, we drew down an additional $2.9 million on our existing credit facility which finances the acquisition and improvement of the real property we purchased in El Segundo, California. Principal repayment began in March 2012.

ERP and Web Infrastructure Upgrades

We are currently upgrading many of our IT systems. We have purchased licenses for Microsoft Dynamics AX (Axapta) and other related tools, such as workflow software, web development tools and other related items, to upgrade our ERP and eCommerce systems. We initiated the implementation and upgrade of our eCommerce system in the second half of 2008 and have completed and launched a new generation of our public sites at macmall.com, onsale.com, ecost.com and pcmall.com. We are currently working on the implementation of the ERP modules and the upgrade of the ERP systems, including additional enhancements and features, and we expect to be complete with all phases of the implementation of the ERP systems by 2013. We believe the implementation and upgrade should help us to gain further efficiencies across our organization. Based on our estimates, which are subject to change, we currently expect to incur a total cost of up to $14 million for all these IT system upgrades. To date, we have incurred approximately $10.8 million of such costs. In addition to the above expenditures, we expect on an ongoing basis to make periodic upgrades to our IT systems.

In addition to the upgrades to our IT systems, in July 2008, we entered into an agreement with Cisco Systems for the purchase and implementation of various solutions to upgrade our current infrastructure for up to approximately $4.6 million. The purchase is financed through a capital lease over a five year term. Our plan is to provide a unified platform for our entire company and to provide a robust and efficient contact center. To date, we have received all of the Cisco equipment. We completed the implementation of the Cisco solution across all of our locations in the second quarter of 2011.

Legal Proceedings

We are not currently a party to any legal proceedings with loss contingencies, which are expected to be material. 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 result in a material amount of legal or related expenses and be 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.

10. Stockholders' Equity

In October 2008, our Board of Directors approved a discretionary common stock repurchase program for up to $10 million of our common stock in aggregate with all other repurchases made under any repurchase programs following the date of such Board of Directors' approval. This repurchase program effectively superseded an earlier repurchase program adopted in 1996. Under this new 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 this new program will be financed with existing working capital and amounts available under our existing credit facility. 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.

During 2011, 2010 and 2009, we repurchased a total of 432,012 shares, 200,084 shares and 582,779 shares of our common stock at an annual aggregate cost of $2.6 million, $0.9 million and $2.6 million, respectively. The repurchased shares were recorded as treasury stock. As of December 31, 2011 and 2010, we had total treasury shares of 2,373,184 and 1,941,172 shares, respectively. The common shares held as treasury stock are available for general corporate purposes.

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.

11. Earnings Per Common Share

Basic earnings per share ("EPS") excludes dilution and 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. Potential common shares of approximately 1,110,000, 1,395,000 and 1,666,000 for the years ended December 31, 2011, 2010 and 2009 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	Shares	Per Share Amounts
Year Ended December 31, 2011:			
Basic EPS			
Net income	$ 3,132	12,225	$ 0.26
Effect of dilutive securities			
Dilutive effect of stock options	—	251	
Diluted EPS			
Adjusted net income	$ 3,132	12,476	$ 0.25
Year Ended December 31, 2010:			
Basic EPS			
Net income	$ 7,573	12,220	$ 0.62
Effect of dilutive securities			
Dilutive effect of stock options	—	248	
Diluted EPS			
Adjusted net income	$ 7,573	12,468	$ 0.61
Year Ended December 31, 2009:			
Basic EPS			
Net income	$ 3,357	12,373	$ 0.27
Effect of dilutive securities			
Dilutive effect of stock options	—	302	
Diluted EPS			
Adjusted net income	$ 3,357	12,675	$ 0.26

12. Employee & Non-Employee Benefits

401(k) Savings Plan

We maintain a 401(k) Savings Plan which covers substantially all full-time employees who meet the plan's eligibility requirements. Participants are allowed to make tax-deferred contributions up to limitations specified by the Internal Revenue Code. We make 25% matching contributions for amounts that do not exceed 4% of the participants' compensation. The matched contributions to the employees are subject to a 5 year vesting provision, with credit given towards vesting for employment during prior years. We made matching contributions to the plan totaling approximately $493,000, $733,000 and $406,000 in 2011, 2010 and 2009, respectively.

Restricted Stock, Stock Warrants and Options Issued to Non-employees

On September 15, 2011, our Compensation Committee approved and granted, under our 1994 Plan, the award of options to purchase 10,000 shares of our common stock to each of our non-employee members of our board. These options were issued at an exercise price of $6.24 with a ten-year term, and vests quarterly over a two-year term.

On August 18, 2010, our Compensation Committee approved and granted, under our 1994 Plan, the award of options to purchase 10,000 shares of our common stock to each of our non-employee members of our board. These options were issued at an exercise price of $4.22 with a ten-year term, and vests quarterly over a two-year term. See Note 3 for more information on our accounting for stock-based compensation.

On March 2, 2010, our Compensation Committee approved and granted, under our 1994 Plan, the award of options to purchase 20,000 shares of our common stock to a third-party investor relations consultant. The options were issued at an exercise price of $4.76 with a five-year term and vest quarterly over a one-year term. We valued the options at fair value at grant date based on a Black-Scholes fair value calculation and the options were measured at fair value at each subsequent reporting period, with changes in value recorded over the twelve month performance period of the option.

On August 21, 2009 and July 31, 2008, our Compensation Committee approved and granted, under our 1994 Plan, the award of 7,500 shares and 4,000 shares, respectively, of restricted stock to each of our non-employee members of our board for a total award of 22,500 shares and 12,000 shares of restricted stock. The restricted stock awards each vest quarterly in equal amounts over a one year period from the date of grant.

13. Comprehensive Income

Our total comprehensive income was as follows for the periods presented (in thousands):

	Year Ended December 31, 2011	2010	2009
Net income	$ 3,132	$ 7,573	$ 3,357
Other comprehensive income (loss):			
Foreign currency translation adjustments	(209)	354	849
Total comprehensive income	$ 2,923	$ 7,927	$ 4,206

14. Segment Information

Our five operating segments, SMB, MME, Public Sector, MacMall and OnSale, are primarily aligned based upon their respective customer base. We include corporate related expenses such as legal, accounting, information technology, product management and certain pre-sales, value-added support services and other administrative costs that are not otherwise included in our operating segments in Corporate & Other. We allocate our resources to and evaluate the performance of our segments based on operating income. For more information, see Note 1 above. Summarized segment information for our continuing operations for the periods presented is as follows (in thousands):

	SMB	MME	Public Sector	MacMall	OnSale	Corporate & Other	Consolidated
Year Ended December 31, 2011							
Net sales	$ 509,463	$ 532,402	$ 181,795	$ 190,237	$ 43,307	$ (1,985)	$ 1,455,219
Gross profit	67,205	81,483	16,908	20,465	4,679	(252)	190,488
Depreciation and amortization expense(1)	8	3,650	179	468	359	5,380	10,044
Operating profit (loss)	36,899	27,582	1,748	4,553	(4,563)	(56,763)	9,456
Year Ended December 31, 2010							
Net sales	$ 487,865	$ 493,733	$ 187,331	188,677	$ 10,857	$ (149)	$ 1,368,314
Gross profit	60,324	75,301	14,189	20,345	1,059	77	171,295
Depreciation and amortization expense(1)	15	3,103	210	432	—	4,397	8,157
Operating profit (loss)	31,362	23,190	737	5,365	(36)	(46,150)	14,468
Year Ended December 31, 2009							
Net sales	$ 368,846	$ 382,725	$ 173,957	$ 201,617	$ 10,902	$ 14	$ 1,138,061
Gross profit	47,259	65,182	18,300	21,221	870	184	153,016
Depreciation and amortization expense(1)	43	2,506	213	119	—	2,716	5,597
Operating profit (loss)	23,048	18,613	5,847	3,793	(607)	(42,952)	7,742

(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 December 31, 2011 and 2010, we had total consolidated assets of $393.3 million and $334.1 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.

Sales of our products and services are made to customers primarily within the U.S. During the years ended December 31, 2011, 2010 and 2009, less than 1% of our total net sales were made to customers outside of the continental U.S. No single customer accounted for more than 10% of our total net sales in the years ended December 31, 2011, 2010 and 2009.

Our property and equipment, net, were located in the following countries as of the periods presented (in thousands):

Location:	At December 31, 2011	2010	2009
U.S.	$ 43,638	$ 20,848	$ 16,235
Philippines	668	566	516
Canada	439	437	340
Property and equipment, net	$ 44,745	$ 21,851	$ 17,091

15. Related Party Transactions

In February 2009, we entered into a Software License and Maintenance and Support Agreement with Eruces, Inc., a Delaware corporation, pursuant to which Eruces licensed data security technology to our company. Dr. Bassam Khulusi and Sam Khulusi, each of whom is a brother of our Chairman and Chief Executive Officer Frank Khulusi, together beneficially own a majority of the outstanding voting stock of Eruces. Ronald Reck, a member of our Board of Directors and the Audit Committee and the chairman of our Compensation Committee, is a minority stockholder in Eruces. The Eruces technology licensed under the agreement is proprietary encryption software that was independently identified by our Director of Security as the best solution for certain of our data security needs. The transactions contemplated by the agreement were approved by the independent members of our Board of Directors and Audit Committee in accordance with our Audit Committee Charter and our policy for approval of related party transactions. The agreement provides for a one-time license fee of $270,300 in consideration for a worldwide, non-exclusive, perpetual and irrevocable license to use the software, a one-time $23,625 installation and integration fee and annual support fees in the initial amount of $40,545.

We have recently engaged Eruces to provide services related to enhancement logic to encrypt certain data and preserve the data's initial format. These services are being provided at a one-time cost of $30,000.

16. Subsequent Events

In February 2012 we entered into capital lease agreements with US Bank for approximately $3.0 million for various furniture and equipment at our El Segundo headquarters office. We expect to enter into $1.3 million of additional capital lease agreements in the near term.

In February 2012, one of our wholly-owned subsidiaries entered into an agreement with Nautilus Group, Inc. (the "Buyer") to sell certain real property to the Buyer for a total cash sales price of $17.5 million. The real property is located in Santa Monica, California and includes approximately 32,500 square feet of land together with a building of approximately 9,750 square feet. The building is currently being used by our subsidiary as a technology products retail store. The sale of the property will result in a book gain of approximately $15.9 million. Until May 13, 2012 the ("Contingency Date"), the Buyer is entitled to terminate the agreement for any reason while it conducts due diligence related to the property. The agreement also contains other customary closing conditions to the purchase and sale of the real property.

In February 2012, we drew down an additional $2.9 million on our existing credit facility which finances the acquisition and improvement of the real property we purchased in El Segundo, California. Principal repayment began in March 2012.

* * *

PC MALL, INC.

SUPPLEMENTARY DATA
QUARTERLY FINANCIAL INFORMATION
(unaudited, in thousands, except per share data)

	2011			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$ 335,938	$ 361,910	$ 367,547	$ 389,824
Gross profit	43,469	46,386	50,201	50,432
Net income (loss)	727	1,036	1,762	(393)
Basic and diluted earnings (loss) per common share:				
Basic	$ 0.06	$ 0.08	$ 0.14	$ (0.03)
Diluted	0.06	0.08	0.14	(0.03)

	2010			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$ 289,854	$ 316,983	$ 336,099	$ 425,378
Gross profit	38,029	40,555	43,240	49,471
Net income	173	1,363	2,120	3,917
Basic and diluted earnings per common share:				
Basic	$ 0.01	$ 0.11	$ 0.17	$ 0.32
Diluted	0.01	0.11	0.17	0.32

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 our most recent fiscal year. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2011.

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 fourth quarter of 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report on Internal Control Over Financial Reporting

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our principal executive officer and principal financial officers, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making its assessment of internal control over financial reporting, management used the criteria described in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment and those criteria, management believes that, as of December 31, 2011, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Part II Item 8 of this Form 10-K.

ITEM 9B. OTHER INFORMATION

The following disclosure would otherwise be filed on Form 8-K under the heading "Item 5.02 — Compensatory Arrangements of Certain Officers."

On March 14, 2012, our Board of Directors approved and adopted a new executive incentive bonus plan and certain additional separate individual bonus plans for our executive officers to be effective for the fiscal year ending December 31, 2012. The new executive bonus plans were approved and recommended to the Board of Directors by the Compensation Committee after consideration by the Committee of our compensation philosophies, principles and processes as described in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on April 29, 2011. These philosophies, principles and processes provide for periodic review by the Committee of the performance of our executive officers, the components of their compensation and the effectiveness of our compensation programs in rewarding the contributions of our executive officers towards enhancing our specific business goals while retaining and motivating high quality individuals. In adopting the new executive bonus plans for the fiscal year ending December 31, 2012, the Committee considered a 2010 report from an independent third party compensation consultant, Towers Watson, together with other recent competitive market data.

The general executive bonus plans cover the following executive officers, with applicable incentive targets under the plans indicated as a percentage of base salary for each as follows:

Name	Title	Total Target	Executive Quantitative Plan % of Target	Executive Qualitative Plans % of Target
Frank Khulusi	Chairman and Chief Executive Officer	50% of base salary	100%	0%
Mark McGrath	President	50% of base salary	100%	0%
Brandon LaVerne	Chief Financial Officer	40% of base salary	100%	0%
Kristin Rogers	EVP, Sales and Marketing	40% of base salary	67%	33%
Rob Newton	EVP, General Counsel	40% of base salary	0%	100%(1)
Joseph Hayek	EVP, Corporate Development and Investor Relations	40% of base salary	100%(2)	0%

(1) Mr. Newton does not participate in the executive quantitative plan based on an agreement between the company and Mr. Newton, which was originally entered into in June of 2004 in an effort to avoid any conflict of interest in the outcome of his legal advice to the company.
(2) Mr. Hayek's plan calls for a minimum annual payment under his bonus plan of 20% of his base salary, regardless of quantitative achievement.

Executive Quantitative Plan

The executive quantitative plan will be funded at the above amounts if the company achieves 100% of a target of EBITDA for the 2012 calendar year. EBITDA is defined under the plan as earnings before interest, taxes, depreciation and amortization, and adjusted for non-recurring special charges, if any, to be excluded from the calculation of EBITDA in the discretion of the Compensation Committee, including, but not limited to non-cash adjustments such as goodwill and intangible asset adjustments, material unforeseen litigation and restructuring and related severance costs.

The plan also has a minimum EBITDA for any quantitative incentive bonuses to be paid under the plan and contains incentive bonus decelerators based on performance below the performance target. If the company's performance falls below the performance target, but is at least 90% of the performance target, the incentive bonuses may be reduced by a percentage of the incentive bonus target equal to two times the percentage points by which EBITDA falls below the performance target. For example, if the company achieves 90% of the performance target, incentive bonuses under the plan may be funded at 80% of the target incentive bonus amounts described above.

Additional decelerators will apply if the company's performance is between 80% and 90% of the performance target. In such event, in addition to the first decelerator described above for performance between 90% and 100% of the performance target, the incentive bonus amounts may be further decreased by an additional eight times the percentage points by which EBITDA falls below 90% of the performance target. For example, if the company achieves 85% of the performance target, incentive bonuses under the plan may be funded at 40% of the incentive bonus amounts described above. If the company achieves less than 80% of the performance target, the plan will not be funded, and no incentive bonuses will be paid under the plan.

The plan also contains accelerators under which the incentive bonus amounts can exceed the above described target incentive bonus amounts. If the company's performance is between 100% and 110% of the performance target, the incentive bonuses may be increased at a rate of two times the percentage points by which EBITDA exceeds 100% of the performance target. For example, if the company achieves 110% of the performance target, the incentive bonuses may be paid at 120% of the above described incentive bonus target amounts.

Additional accelerators are available if the company's performance is between 111% and 120% of the performance target. In such event, in addition to the first accelerator described above for performance between 100% and 110% of the performance target, the incentive bonus amounts may be further increased by an additional four times the percentage points by which the performance target exceeds 110%. For example, if the company achieves 120% of the performance target, the plan may be funded and incentive bonuses paid at 160% of the above described incentive bonus target amounts.

Further accelerators are available if the company's performance is between 121% and 127% of the performance target. In such event, in addition to the two accelerators described above for performance between 100% and 120% of the performance target, the incentive bonus amounts may be further increased by an additional six times the percentage points by which the performance target exceeds 120%. For example, if the company achieves 125% of the performance target, the plan may be funded and incentive bonuses paid at 190% of the above described incentive bonus target amounts, with a maximum funding of 202% of the incentive bonus targets. If the company achieves 127% or more of the performance target, the plan may be funded and incentive bonuses paid at 202% of the above described incentive bonus target amounts.

Individual Qualitative Plans

In addition to any incentive earned under the executive quantitative plan above, Ms. Rogers and Mr. Newton each have certain individual qualitative targets that are tailored for their respective responsibilities to the company based on recommendations made by the CEO and approved by the Compensation Committee and shall be paid quarterly or annually in the discretion of the Compensation Committee.

General Terms

All amounts funded under the any of the above plans may be increased or reduced for each executive officer at the sole discretion of the Compensation Committee based upon qualitative or quantitative factors which the Compensation Committee may deem appropriate from time to time. In addition to participation in the above described plans, all of our executive officers are eligible for additional discretionary bonuses as determined from time to time by our Compensation Committee. No bonus is earned until it is paid under any of these plans. Therefore, in the event the employment of an executive eligible under these plans is terminated (either by the company or by the eligible executive, whether voluntarily or involuntarily) before a bonus is paid, the executive will not be deemed to have earned that bonus and will not be entitled to any portion of that bonus.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our executive officers as of March 15, 2012 and their respective ages and positions were as follows:

Name	Age	Position
Frank F. Khulusi	45	Chairman of the Board and Chief Executive Officer
Mark T. McGrath	47	President
Brandon H. LaVerne	40	Chief Financial Officer, Treasurer and Chief Accounting Officer
Kristin M. Rogers	53	Executive Vice President — Sales and Marketing
Robert I. Newton	46	Executive Vice President, General Counsel and Secretary
Joseph B. Hayek	39	Executive Vice President, Corporate Development and Investor Relations

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

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

Mark T. McGrath joined us in March 2012 and currently serves as President. Mr. McGrath was previously with Arrow Electronics from 2011 to 2012, where he most recently served as President of the company's Arrow S3 subsidiary, which is a Voice over Internet Protocol (VoIP) centric solutions provider. Prior to his service with Arrow, Mr. McGrath served as CEO of Synergy Solutions, a telecom services outsourcing company from 2009 to 2011. Mr. McGrath was the President of Insight Enterprises' North American and Asia Pacific businesses from September 2006 until March 2009. He joined Insight in May 2005 as President of Insight Direct USA before being promoted to President and was promoted to President of Insight's North America and APAC operating segments in September 2006. From 1987 to 2005, Mr. McGrath worked for the IBM Corporation in various sales and general management roles. Mr. McGrath graduated from Miami University in Oxford, OH with a Bachelor's Degree in business.

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

Kristin M. Rogers joined us in February 2000 and was appointed as our Executive Vice President — Sales in June 2001. Ms. Rogers currently serves as Executive Vice President — Sales and Marketing and is responsible for all of our sales and marketing functions. Prior to joining us, Ms. Rogers held a variety of positions with Merisel, a computer wholesale distributor from 1980 through 1999, most recently as Senior Vice President and General Manager of the U.S. region. In addition, Ms. Rogers spent one year (1997) as Executive Vice President and General Manager of the U.S. region for Micro Warehouse, a direct marketer based in Norwalk, Connecticut. Ms. Rogers received a B.A. degree in Political Science from Bates College in Lewiston, Maine. Ms. Rogers also serves as the President of the HP PC Mall Sales Advisory Council.

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

Joseph B. Hayek joined us in March 2008 as Executive Vice President, Corporate Development and Investor Relations. From August 2000 to March 2008, Mr. Hayek worked in corporate finance at Raymond James & Associates, an investment banking firm, where he most recently served as a Senior Vice President and headed the firm's Supply Chain Technologies Practice. Before joining Raymond James, Mr. Hayek was an investment banker in the technology group at Wachovia Securities. Mr. Hayek also worked for the Eastman Kodak Company. Mr. Hayek holds an MBA from Duke University's Fuqua School of Business and a B.S. in Business from Miami University in Oxford, Ohio.

Information regarding our board of directors, audit committee, audit committee financial expert, code of business conduct and ethics, our nominating and corporate governance committee as well as other corporate governance matters is set forth under the caption "Election of Directors" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference.

Information regarding Section 16(a) beneficial ownership compliance is set forth under the caption "Executive Compensation — Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference.

We have adopted a code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer and principal financial and accounting officer. Our code of business conduct and ethics is posted in the "Investor Relations" section of our website at www.pcmall.com. Any amendments to, or waivers from, a provision of our code of business conduct and ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions will be posted in the "Investor Relations" section of our website. We will provide a copy of our code of business conduct and ethics to any person, without charge, upon receipt of a written request directed to our Corporate Secretary at our principal executive offices.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth under the caption "Executive Compensation" and "Election of Directors -Director Compensation" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference.

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

The information required by this item is set forth under the caption "Security Ownership of Certain Beneficial Owners" and "Executive Compensation — Equity Compensation Plan Information" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference.

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

The information required by this item is set forth under the captions "Certain Relationships and Related Transactions," "Election of Directors — Director Independence" and "Executive Compensation — Compensation Committee Interlocks and Insider Participation" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is set forth under the caption "Ratification of the Appointment of Independent Registered Public Accounting Firm" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

		Page Number
(1)	Financial Statements	See Part II, Item 8, beginning on page 53
(2)	Financial Statement Schedule II - Valuation and Qualifying Accounts for the Years Ended December 31, 2011, 2010 and 2009	See Part IV, Item 15, beginning on page 81
(3)	Exhibits	See Part IV, Item 15, beginning on page 83

PC MALL, INC.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2011, 2010 and 2009
(in thousands)

	Balance at Beginning of Year	Additions Charged to Operations	Deduction from Reserves	Balance at End of Year
Allowance for doubtful accounts for the years ended:				
December 31, 2011	$ 1,802	$ 2,213	$ (2,373)(a)	$ 1,642
December 31, 2010	2,740	1,358	(2,296)(a)	1,802
December 31, 2009	4,241	2,088	(3,589)(a)	2,740
Reserve for inventory for the years ended:				
December 31, 2011	$ 1,313	$ 812	$ (542)(b)	$ 1,583
December 31, 2010	1,571	94	(352)(b)	1,313
December 31, 2009	1,713	642	(784)(b)	1,571
Sales returns reserve for the years ended:				
December 31, 2011	$ 1,569	$ 19,711	$ (19,314)(c)	$ 1,966
December 31, 2010	1,690	19,334	(19,455)(c)	1,569
December 31, 2009	1,653	20,637	(20,600)(c)	1,690
Valuation allowance for deferred tax assets for the years ended:				
December 31, 2011	$ 237	$ 497(d)	$ (15)(d)	$ 719
December 31, 2010	165	176(d)	(104)(d)	237
December 31, 2009	179	115(d)	(129)(d)	165

(a) Relates primarily to accounts written-off.
(b) Relates primarily to excess and/or obsolete inventory written-off.
(c) Relates to sales returns received and applied to sales returns reserve.
(d) Relates primarily to changes in valuation allowances applied to various state net operating loss carryforwards.

EXHIBIT LIST

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of August 17, 2007, by and among PC Mall, Inc., Mall Acquisition 2, Inc., Sarcom, Inc., Zohar CDO 2003-1, Limited, Zohar II 2005-1, Limited, Charles E. Sweet, Robert F. Angart & Company, John R. Strauss, Daniel A. Schneider and Howard Schapiro (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K of PC Mall, Inc. (File no. 0-25790) filed with the Securities and Exchange Commission (the "Commission") on September 18, 2007)
3.1	Amended and Restated Certificate of Incorporation of PC Mall, Inc. (incorporated herein by reference to Exhibit 3.1(C) to the Quarterly Report on Form 10-Q of PC Mall, Inc. for the quarter ended September 30, 2003 (File No. 0-25790) filed with the Commission on November 14, 2002)
3.2	Amended and Restated Bylaws of PC Mall, Inc. (incorporated herein by reference to Exhibit 3.2 to the Annual Report on Form 10-K of PC Mall, Inc. for the year ended December 31, 2000 (File No. 0-25790) filed with the Commission on April 2, 2001 (the "2000 Form 10-K"))
10.1*	Amended and Restated 1994 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of PC Mall, Inc. (File No. 0-25790) for the period ended June 30, 2010 filed with the Commission on August 9, 2010)
10.2*	Employment Agreement, dated January 1, 1995, between Creative Computers, Inc. and Frank F. Khulusi (incorporated herein by reference to the Registration Statement on Form S-1 of PC Mall, Inc. (File No. 33-89572), declared effective on April 4, 1995 (the "1995 Form S-1"))
10.3*	Amendment to Employment Agreement made and entered into as of December 28, 2005, by and between PC Mall, Inc. and Frank F. Khulusi (incorporated herein by reference to Exhibit 10.32 to the Annual Report on Form 10-K of PC Mall, Inc. for the year ended December 31, 2005 (File No. 0-25790) filed with the Commission on March 31, 2006 (the "December 31, 2005 Form 10-K))
10.4*	Second Amendment to Employment Agreement made and entered into as of December 28, 2005, by and between PC Mall, Inc. and Frank F. Khulusi (incorporated herein by reference to Exhibit 10.33 to the December 31, 2005 Form 10-K)
10.5*	Employment Agreement, dated January 20, 2000, between PC Mall, Inc. and Kristin M. Rogers (incorporated herein by reference to Exhibit 10.45 to the Annual Report on Form 10-K of PC Mall, Inc., for the year ended December 31, 2001 (File No. 0-25790) filed with the Commission on April 1, 2002)
10.6*	Employment Agreement, dated January 1, 1994, between Creative Computers, Inc. and Daniel J. DeVries (incorporated herein by reference to the 1995 Form S-1)
10.7*	Severance Agreement, dated January 31, 2006, between PC Mall Inc. and Daniel J. DeVries (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on February 3, 2006)
10.8*	Employment Agreement, dated June 8, 2004, between PC Mall, Inc. and Rob Newton (incorporated herein by reference to Exhibit 10.54 to the Quarterly Report on Form 10-Q of PC Mall, Inc. for the quarter ended June 30, 2004 (File No. 0-25790) filed with the Commission on August 11, 2004 (the "June 30, 2004 Form 10-Q"))
10.9*	Amendment to Employment Agreement, dated March 22, 2005, between PC Mall, Inc. and Rob Newton (incorporated herein by reference to Exhibit 10.2 to the Current Report on form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the commission on March 25, 2005)
10.10*	Severance Agreement between AF Services, LLC and Brandon LaVerne (incorporated herein by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of PC Mall, Inc. for the quarter ended September 30, 2007 (File No. 0-25790) filed with the Commission on November 14, 2007 (the "September 30, 2007 Form 10-Q"))
10.11*	Form of Executive Non-Qualified Stock Option Agreement (full acceleration upon change in control) (incorporated herein by reference to Exhibit 10.61 to the Quarterly Report on Form 10-Q of PC Mall, Inc. for the quarter ended September 30, 2004 (File No. 0-25790) filed with the Commission on November 15, 2004 (the "September 30, 2004 Form 10-Q"))
10.12*	Form of Executive Non-Qualified Stock Option Agreement (partial acceleration upon change in control) (incorporated herein by reference to Exhibit 10.62 to the September 30, 2004 Form 10-Q)

10.13*	Directors' Non-Qualified Stock Option Plan, amended and restated as of May 18, 1999 (incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of PC Mall, Inc. for the quarter ended June 30, 1999 (File No. 0-25790) filed with the Commission on August 16, 1999)
10.14*	Form of Indemnification Agreement between PC Mall, Inc. and each of its directors and executive officers (incorporated herein by reference to Exhibit 10.48 to the Annual Report on Form 10-K of PC Mall, Inc. for the year ended December 31, 2002 (File No. 0-25790) filed with the Commission on March 31, 2003)
10.15*	Form of Director Restricted Stock Bonus Award Agreement (incorporated herein by reference to Exhibit 10.3 to the September 30, 2007 Form 10-Q)
10.16	Master Separation and Distribution Agreement, dated September 1, 2004, between PC Mall, Inc. and eCOST.com, Inc. (incorporated herein by reference to Exhibit 10.56 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on September 8, 2004 (the "September 8, 2004 Form 8-K"))
10.17	Tax Allocation and Indemnification Agreement, dated September 1, 2004, between PC Mall, Inc. and eCOST.com, Inc. (incorporated herein by reference to Exhibit 10.57 to the September 8, 2004 Form 8-K)
10.18	Employee Benefit Matters Agreement, dated September 1, 2004, between PC Mall, Inc. and eCOST.com, Inc. (incorporated herein by reference to Exhibit 10.58 to the September 8, 2004 Form 8-K)
10.19	Lease Agreement, dated September 1, 2003, between PC Mall, Inc. and Anderson Tully Company for the premises located at 4715 E. Shelby Drive, Memphis, TN (incorporated herein by reference to Exhibit 10.63 to the Annual Report on Form 10-K of PC Mall, Inc. for the year ended December 31, 2004 (File No. 0-25790) filed with the Commission on March 31, 2005 (the "December 31, 2004 Form 10-K"))
10.20	Renewal Letter for lease of property in Memphis, Tennessee, entered into on October 2, 2006 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on October 6, 2006)
10.21	Lease Agreement, dated June 11, 2003, among PC Mall, Inc., PC Mall Canada, Inc. and Canaprev, Inc. for the premises located at 1100, University, 2nd Floor, Montreal (Quebec) Canada (incorporated herein by reference to Exhibit 10.64 to the December 31, 2004 Form 10-K)
10.22	Addendum to Lease Agreement, dated January 26, 2004, between PC Mall, Inc., PC Mall Canada, Inc. and Canaprev, Inc. for premises located at 1100 University, Montreal, Quebec, Canada, dated January 26, 2004 (incorporated herein by reference to Exhibit 10.70 to the December 31, 2004 Form 10-K)
10.23	Lease Agreement, dated as of July 1, 2001, by and between Sarcom Properties, Inc. and Sarcom Desktop Solutions, Inc., as amended as of December 1, 2002 and as of March 22, 2004 (incorporated herein by reference to Exhibit 10.8 to the September 30, 2007 Form 10-Q)
10.24	Addendum No. 2, by and between Complexe Rue Universite S.E.C., PC Mall Canada, Inc. and PC Mall, Inc., dated January 10, 2008 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on January 15, 2008)
10.25	Asset Purchase Agreement, dated as of September 7, 2006, by and among a wholly-owned subsidiary of PC Mall Gov, Inc. GMRI and the shareholders of GMRI (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on September 12, 2006)
10.26	Joint Stipulation of Settlement and Release made and entered into by and between Plaintiff Nicole Atkins, Class Representative and Defendants PC Mall, Inc. and PC Mall Sales, Inc. (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of PC Mall, Inc. (File No. 0-25790) for the period ended March 31, 2007 filed with the Commission on May 15, 2007)
10.27	Registration Rights Agreement, dated as of September 17, 2007, by and among PC Mall, Inc., Zohar CDO 2003-1, Limited, Zohar II 2005-1, Limited, Charles E. Sweet, Robert F. Angart & Company, John R. Strauss, Daniel A. Schneider and Howard Schapiro (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on September 18, 2007)
10.28+	Second Amended and Restated Loan and Security Agreement, dated as of December 14, 2010, by and among PC Mall, Inc., wholly-owned subsidiaries of PC Mall, Inc., Wells Fargo Capital Finance, LLC (Western) and certain other financial institutions (incorporated herein by reference to Exhibit 10.29 to the Annual Report on Form 10-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on March 25, 2011)

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10.40	First Amendment to Second Amended and Restated Loan and Security Agreement and Consent, dated as of June 28, 2011, by and among PC Mall, Inc. and all of its domestic subsidiaries, certain lenders and Well Fargo Capital Finance, LLC (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on July 1, 2011)
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101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

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* 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.

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SIGNATURES

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

PC MALL, INC.
(Registrant)

Date: March 15, 2012

By: /s/ FRANK F. KHULUSI
Frank F. Khulusi
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Frank F. Khulusi and Brandon H. LaVerne, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ FRANK F. KHULUSI Frank F. Khulusi	Chairman and Chief Executive Officer (Principal Executive Officer)	March 15, 2012
/s/ BRANDON H. LAVERNE Brandon H. LaVerne	Chief Financial Officer, Chief Accounting Officer and Treasurer (Principal Financial and Accounting Officer)	March 15, 2012
/s/ THOMAS A. MALOOF Thomas A. Maloof	Director	March 15, 2012
/s/ RONALD B. RECK Ronald B. Reck	Director	March 15, 2012
/s/ PAUL C. HEESCHEN Paul C. Heeschen	Director	March 15, 2012

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of August 17, 2007, by and among PC Mall, Inc., Mall Acquisition 2, Inc., Sarcom, Inc., Zohar CDO 2003-1, Limited, Zohar II 2005-1, Limited, Charles E. Sweet, Robert F. Angart & Company, John R. Strauss, Daniel A. Schneider and Howard Schapiro (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K of PC Mall, Inc. (File no. 0-25790) filed with the Securities and Exchange Commission (the "Commission") on September 18, 2007)
3.1	Amended and Restated Certificate of Incorporation of PC Mall, Inc. (incorporated herein by reference to Exhibit 3.1(C) to the Quarterly Report on Form 10-Q of PC Mall, Inc. for the quarter ended September 30, 2003 (File No. 0-25790) filed with the Commission on November 14, 2002)
3.2	Amended and Restated Bylaws of PC Mall, Inc. (incorporated herein by reference to Exhibit 3.2 to the Annual Report on Form 10-K of PC Mall, Inc. for the year ended December 31, 2000 (File No. 0-25790) filed with the Commission on April 2, 2001 (the "2000 Form 10-K"))
10.1*	Amended and Restated 1994 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of PC Mall, Inc. (File No. 0-25790) for the period ended June 30, 2010 filed with the Commission on August 9, 2010)
10.2*	Employment Agreement, dated January 1, 1995, between Creative Computers, Inc. and Frank F. Khulusi (incorporated herein by reference to the Registration Statement on Form S-1 of PC Mall, Inc. (File No. 33-89572), declared effective on April 4, 1995 (the "1995 Form S-1"))
10.3*	Amendment to Employment Agreement made and entered into as of December 28, 2005, by and between PC Mall, Inc. and Frank F. Khulusi (incorporated herein by reference to Exhibit 10.32 to the Annual Report on Form 10-K of PC Mall, Inc. for the year ended December 31, 2005 (File No. 0-25790) filed with the Commission on March 31, 2006 (the "December 31, 2005 Form 10-K))
10.4*	Second Amendment to Employment Agreement made and entered into as of December 28, 2005, by and between PC Mall, Inc. and Frank F. Khulusi (incorporated herein by reference to Exhibit 10.33 to the December 31, 2005 Form 10-K)
10.5*	Employment Agreement, dated January 20, 2000, between PC Mall, Inc. and Kristin M. Rogers (incorporated herein by reference to Exhibit 10.45 to the Annual Report on Form 10-K of PC Mall, Inc., for the year ended December 31, 2001 (File No. 0-25790) filed with the Commission on April 1, 2002)
10.6*	Employment Agreement, dated January 1, 1994, between Creative Computers, Inc. and Daniel J. DeVries (incorporated herein by reference to the 1995 Form S-1)
10.7*	Severance Agreement, dated January 31, 2006, between PC Mall Inc. and Daniel J. DeVries (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on February 3, 2006)
10.8*	Employment Agreement, dated June 8, 2004, between PC Mall, Inc. and Rob Newton (incorporated herein by reference to Exhibit 10.54 to the Quarterly Report on Form 10-Q of PC Mall, Inc. for the quarter ended June 30, 2004 (File No. 0-25790) filed with the Commission on August 11, 2004 (the "June 30, 2004 Form 10-Q"))
10.9*	Amendment to Employment Agreement, dated March 22, 2005, between PC Mall, Inc. and Rob Newton (incorporated herein by reference to Exhibit 10.2 to the Current Report on form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the commission on March 25, 2005)
10.10*	Severance Agreement between AF Services, LLC and Brandon LaVerne (incorporated herein by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of PC Mall, Inc. for the quarter ended September 30, 2007 (File No. 0-25790) filed with the Commission on November 14, 2007 (the "September 30, 2007 Form 10-Q"))
10.11*	Form of Executive Non-Qualified Stock Option Agreement (full acceleration upon change in control) (incorporated herein by reference to Exhibit 10.61 to the Quarterly Report on Form 10-Q of PC Mall, Inc. for the quarter ended September 30, 2004 (File No. 0-25790) filed with the Commission on November 15, 2004 (the "September 30, 2004 Form 10-Q"))
10.12*	Form of Executive Non-Qualified Stock Option Agreement (partial acceleration upon change in control) (incorporated herein by reference to Exhibit 10.62 to the September 30, 2004 Form 10-Q)

10.13*	Directors' Non-Qualified Stock Option Plan, amended and restated as of May 18, 1999 (incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of PC Mall, Inc. for the quarter ended June 30, 1999 (File No. 0-25790) filed with the Commission on August 16, 1999)
10.14*	Form of Indemnification Agreement between PC Mall, Inc. and each of its directors and executive officers (incorporated herein by reference to Exhibit 10.48 to the Annual Report on Form 10-K of PC Mall, Inc. for the year ended December 31, 2002 (File No. 0-25790) filed with the Commission on March 31, 2003)
10.15*	Form of Director Restricted Stock Bonus Award Agreement (incorporated herein by reference to Exhibit 10.3 to the September 30, 2007 Form 10-Q)
10.16	Master Separation and Distribution Agreement, dated September 1, 2004, between PC Mall, Inc. and eCOST.com, Inc. (incorporated herein by reference to Exhibit 10.56 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on September 8, 2004 (the "September 8, 2004 Form 8-K"))
10.17	Tax Allocation and Indemnification Agreement, dated September 1, 2004, between PC Mall, Inc. and eCOST.com, Inc. (incorporated herein by reference to Exhibit 10.57 to the September 8, 2004 Form 8-K)
10.18	Employee Benefit Matters Agreement, dated September 1, 2004, between PC Mall, Inc. and eCOST.com, Inc. (incorporated herein by reference to Exhibit 10.58 to the September 8, 2004 Form 8-K)
10.19	Lease Agreement, dated September 1, 2003, between PC Mall, Inc. and Anderson Tully Company for the premises located at 4715 E. Shelby Drive, Memphis, TN (incorporated herein by reference to Exhibit 10.63 to the Annual Report on Form 10-K of PC Mall, Inc. for the year ended December 31, 2004 (File No. 0-25790) filed with the Commission on March 31, 2005 (the "December 31, 2004 Form 10-K"))
10.20	Renewal Letter for lease of property in Memphis, Tennessee, entered into on October 2, 2006 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on October 6, 2006)
10.21	Lease Agreement, dated June 11, 2003, among PC Mall, Inc., PC Mall Canada, Inc. and Canaprev, Inc. for the premises located at 1100, University, 2nd Floor, Montreal (Quebec) Canada (incorporated herein by reference to Exhibit 10.64 to the December 31, 2004 Form 10-K)
10.22	Addendum to Lease Agreement, dated January 26, 2004, between PC Mall, Inc., PC Mall Canada, Inc. and Canaprev, Inc. for premises located at 1100 University, Montreal, Quebec, Canada, dated January 26, 2004 (incorporated herein by reference to Exhibit 10.70 to the December 31, 2004 Form 10-K)
10.23	Lease Agreement, dated as of July 1, 2001, by and between Sarcom Properties, Inc. and Sarcom Desktop Solutions, Inc., as amended as of December 1, 2002 and as of March 22, 2004 (incorporated herein by reference to Exhibit 10.8 to the September 30, 2007 Form 10-Q)
10.24	Addendum No. 2, by and between Complexe Rue Universite S.E.C., PC Mall Canada, Inc. and PC Mall, Inc., dated January 10, 2008 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on January 15, 2008)
10.25	Asset Purchase Agreement, dated as of September 7, 2006, by and among a wholly-owned subsidiary of PC Mall Gov, Inc. GMRI and the shareholders of GMRI (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of PC Mall, Inc. (File No. 0-25790) filed with the Commission on September 12, 2006)
10.26	Joint Stipulation of Settlement and Release made and entered into by and between Plaintiff Nicole Atkins, Class Representative and Defendants PC Mall, Inc. and PC Mall Sales, Inc. (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of PC Mall, Inc. (File No. 0-25790) for the period ended March 31, 2007 filed with the Commission on May 15, 2007)
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\+ 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.

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EXHIBIT 10.34

Summary of Executive Bonus Plans
(adopted March 14, 2012)

On March 14, 2012, our Board of Directors approved and adopted a new executive incentive bonus plan and certain additional separate individual bonus plans for our executive officers to be effective for the fiscal year ending December 31, 2012. The new executive bonus plans were approved and recommended to the Board of Directors by the Compensation Committee after consideration by the Committee of our compensation philosophies, principles and processes as described in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on April 29, 2011. These philosophies, principles and processes provide for periodic review by the Committee of the performance of our executive officers, the components of their compensation and the effectiveness of our compensation programs in rewarding the contributions of our executive officers towards enhancing our specific business goals while retaining and motivating high quality individuals. In adopting the new executive bonus plans for the fiscal year ending December 31, 2012, the Committee considered a 2010 report from an independent third party compensation consultant, Towers Watson, together with other recent competitive market data.

The general executive bonus plans cover the following executive officers, with applicable incentive targets under the plans indicated as a percentage of base salary for each as follows:

Name	Title	Total Target	Executive Quantitative Plan % of Target	Executive Qualitative Plans % of Target
Frank Khulusi	Chairman and Chief Executive Officer	50% of base salary	100%	0%
Mark McGrath	President	50% of base salary	100%	0%
Brandon LaVerne	Chief Financial Officer	40% of base salary	100%	0%
Kristin Rogers	EVP, Sales and Marketing	40% of base salary	67%	33%
Rob Newton	EVP, General Counsel	40% of base salary	0%	100%(1)
Joseph Hayek	EVP, Corporate Development and Investor Relations	40% of base salary	100%(2)	0%

(1) Mr. Newton does not participate in the executive quantitative plan based on an agreement between the company and Mr. Newton, which was originally entered into in June of 2004 in an effort to avoid any conflict of interest in the outcome of his legal advice to the company.
(2) Mr. Hayek's plan calls for a minimum annual payment under his bonus plan of 20% of his base salary, regardless of quantitative achievement.

<u>Executive Quantitative Plan</u>

The executive quantitative plan will be funded at the above amounts if the company achieves 100% of a target of EBITDA for the 2012 calendar year. EBITDA is defined under the plan as earnings before interest, taxes, depreciation and amortization, and adjusted for non-recurring special charges, if any, to be excluded from the calculation of EBITDA in the discretion of the Compensation Committee, including, but not limited to non-cash adjustments such as goodwill and intangible asset adjustments, material unforeseen litigation and restructuring and related severance costs.

The plan also has a minimum EBITDA for any quantitative incentive bonuses to be paid under the plan and contains incentive bonus decelerators based on performance below the performance target. If the company's performance falls below the performance target, but is at least 90% of the performance target, the incentive bonuses may be reduced by a percentage of the incentive bonus target equal to two times the percentage points by which EBITDA falls below the performance target. For example, if the company achieves 90% of the performance target, incentive bonuses under the plan may be funded at 80% of the target incentive bonus amounts described above.

Additional decelerators will apply if the company's performance is between 80% and 90% of the performance target. In such event, in addition to the first decelerator described above for performance between 90% and 100% of the performance target, the incentive bonus amounts may be further decreased by an additional eight times the percentage points by which EBITDA falls below 90% of the performance target. For example, if the company achieves 85% of the performance target, incentive bonuses under the plan may be funded at 40% of the incentive bonus amounts described above. If the company achieves less than 80% of the performance target, the plan will not be funded, and no incentive bonuses will be paid under the plan.

The plan also contains accelerators under which the incentive bonus amounts can exceed the above described target incentive bonus amounts. If the company's performance is between 100% and 110% of the performance target, the incentive bonuses may be increased at a rate of two times the percentage points by which EBITDA exceeds 100% of the performance target. For example, if the company achieves 110% of the performance target, the incentive bonuses may be paid at 120% of the above described incentive bonus target amounts.

Additional accelerators are available if the company's performance is between 111% and 120% of the performance target. In such event, in addition to the first accelerator described above for performance between 100% and 110% of the performance target, the incentive bonus amounts may be further increased by an additional four times the percentage points by which the performance target exceeds 110%. For example, if the company achieves 120% of the performance target, the plan may be funded and incentive bonuses paid at 160% of the above described incentive bonus target amounts.

Further accelerators are available if the company's performance is between 121% and 127% of the performance target. In such event, in addition to the two accelerators described above for performance between 100% and 120% of the performance target, the incentive bonus amounts may be further increased by an additional six times the percentage points by which the performance target exceeds 120%. For example, if the company achieves 125% of the performance target, the plan may be funded and incentive bonuses paid at 190% of the above described incentive bonus target amounts, with a maximum funding of 202% of the incentive bonus targets. If the company achieves 127% or more of the performance target, the plan may be funded and incentive bonuses paid at 202% of the above described incentive bonus target amounts.

Individual Qualitative Plans

In addition to any incentive earned under the executive quantitative plan above, Ms. Rogers and Mr. Newton each have certain individual qualitative targets that are tailored for their respective responsibilities to the company based on recommendations made by the CEO and approved by the Compensation Committee and shall be paid quarterly or annually in the discretion of the Compensation Committee.

General Terms

All amounts funded under the any of the above plans may be increased or reduced for each executive officer at the sole discretion of the Compensation Committee based upon qualitative or quantitative factors which the Compensation Committee may deem appropriate from time to time. In addition to participation in the above described plans, all of our executive officers are eligible for additional discretionary bonuses as determined from time to time by our Compensation Committee. No bonus is earned until it is paid under any of these plans. Therefore, in the event the employment of an executive eligible under these plans is terminated (either by the company or by the eligible executive, whether voluntarily or involuntarily) before a bonus is paid, the executive will not be deemed to have earned that bonus and will not be entitled to any portion of that bonus.

EXHIBIT 10.35

Summary of Executive Salary and Bonus Arrangements

The table below summarizes the current annual salary and bonus arrangements we have with each of our current executive officers. All of the compensation arrangements we have with our executive officers, including with respect to annual salaries and bonuses, are reviewed and may be modified from time to time by the Compensation Committee of our Board of Directors.

We have written employment arrangements with each of our executive officers, and a copy of each such employment arrangement is filed as an exhibit to the accompanying Annual Report on Form 10-K. The non-salary and bonus components of our compensation arrangements with our executive officers, including with respect to severance, option grants and other benefits, are described in those respective agreements. Our executive officers participate in the executive bonus plans adopted by the Board of Directors on March 14, 2012, descriptions of which are included in Item 9B and as Exhibit 10.34 in this Form 10-K.

Additional information regarding our compensation arrangements with our executive officers will be included in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders.

Executive Officer	Annual Base Salary	Bonus
Frank F. Khulusi Chairman and Chief Executive Officer	$ 833,000	(1)
Mark T. McGrath President	$ 400,000	(1)(2)
Brandon H. LaVerne Chief Financial Officer, Treasurer and Assistant Secretary	$ 317,500	(1)
Kristin M. Rogers Executive Vice President—Sales and Marketing	$ 350,000	(1)
Robert I. Newton Executive Vice President, General Counsel and Secretary	$ 317,500	(1)
Joseph B. Hayek Executive Vice President—Corporate Development and Investor Relations	$ 263,000	(1)

(1) All executives are eligible to participate in our executive bonus plans referenced above.
(2) Mr. McGrath joined the Company on March 5, 2012.

EXHIBIT 10.41

*** 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.

SECOND AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT AND THIRD AMENDMENT TO STOCK PLEDGE AGREEMENT

THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT AND OTHER FINANCING AGREEMENTS (this "Amendment"), dated as of November 30, 2011, is entered into among PC MALL, INC., a Delaware corporation ("PC Mall"), PC MALL SALES, INC., a California corporation ("Sales"), AF SERVICES, LLC, a Delaware limited liability company ("AF Services"), PC MALL GOV, INC., a Delaware corporation ("PMCG"), M2 MARKETPLACE, INC., a Delaware corporation, formerly known as Onsale, Inc. ("M2 Mplace"), AV ACQUISITION, INC., a Delaware corporation ("AV Acquisition"), MALL ACQUISITION 3, INC., a Delaware corporation ("Mall 3"), MALL ACQUISITION SUB 4 INC., a Delaware corporation ("Mall 4"), MALL ACQUISITION SUB 5 INC., a Delaware corporation ("Mall 5"), PC MALL SERVICES, INC., a Delaware corporation ("Services"), OSRP, LLC, a Delaware limited liability company ("OSRP") and SARCOM, INC., a Delaware corporation ("Sarcom" and together with PC Mall, Sales, AF Services, PCMG, M2 Mplace, AV Acquisition, Mall 3, Mall 4, Mall 5, Services and OSRP, each an "Existing Borrower" and collectively "Existing Borrowers"), ONSALE HOLDINGS, INC., an Illinois corporation ("Holdings"), ONSALE, LLC, an Illinois limited liability company ("OnSale"), ECOST, LLC, a Delaware limited liability company ("ECost" and together with Holdings and OnSale, each a "New Borrower" and collectively the "New Borrowers"), WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as agent (in such capacity, "Agent") and the Lenders signatory hereto. Existing Borrowers and New Borrowers will collectively be referred to herein as "Borrowers".

RECITALS

A. Existing Borrowers, Agent and the several financial institutions from time to time party to thereto as lenders ("Lenders") have previously entered into that certain Second Amended and Restated Loan and Security Agreement dated as of December 14, 2010 (as amended by that First Amendment to Second Amended and Restated Loan and Security Agreement and Consent dated as of June 28, 2011 (the "First Amendment") and as further 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. PC Mall and Agent have previously entered into that certain Stock Pledge Agreement dated March 7, 2001 (as amended, modified, supplemented, extended or restated from time to time, the "Pledge Agreement"), covering the capital stock of the Existing Borrowers.

C. Prior to the date hereof, PC Mall has formed Holdings, a direct Subsidiary of PC Mall, and Holdings has formed OnSale and eCost, each direct Subsidiaries of Holdings.

D. The parties now desire to amend the Loan Agreement and the Pledge Agreement upon the terms and conditions set forth below.

E. 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) Addition of New Borrowers. Each New Borrower is hereby added as a co-borrower under the Loan Agreement with the same force and effect as if such New Borrower had duly executed and delivered the Loan Agreement as Borrower thereunder in addition to the Existing Borrowers. Without limiting the foregoing:

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

(ii) Each New Borrower and each of the Existing Borrowers shall be jointly and severally liable for all Obligations.

(iii) To secure payment and performance of all Obligations, each 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, whether now owned or hereafter acquired or existing, and wherever located.

(iv) The definition of "Information Certificates" in Section 1.55 of the Loan Agreement is hereby amended to include the Information Certificate of each New Borrower delivered to Agent on the date hereof, in each case, in form and substance satisfactory to Agent, in addition to the Information Certificates of the Existing Borrowers.

(v) Schedules 8.4, 8.8 and 9.9 to the Loan Agreement are hereby amended and replaced with Schedules 8.4, 8.8 and 9.9 attached hereto.

(vi) Each New Borrower hereby represents and warrants to Agent and the Lenders the truth and accuracy of all representations and warranties applicable to Borrowers in the Loan Agreement (after giving effect to the inclusions of New Borrowers, their Information Certificates and the information set forth on the schedules attached hereto as set forth in clauses (i), (iv) and (v) above).

(vii) Each New Borrower hereby agrees to perform all of the covenants and agreements applicable to Borrowers in the Loan Agreement.

(viii) Agent and the Lenders shall have all of the rights, remedies, interests and powers as against each New Borrower as provided to Agent and the Lenders in relation to Borrowers in the Loan Agreement.

(b) Eligibility. Without limiting the eligibility criteria set forth in the definitions of "Eligible Accounts" and "Eligible Inventory" in Sections 1.29 and 1.30 of the Loan Agreement, none of the Accounts or Inventory of any New Borrower will be deemed Eligible Accounts or Eligible Inventory unless and until Agent has completed its business and legal due diligence, with results satisfactory to Agent, and received all necessary approvals.

(c) The following definition is hereby added to Section 1 of the Loan Agreement in alphabetical order:

" Joinder Agreement' shall mean a Joinder Agreement substantially in the form of Exhibit C attached hereto, among a Target or New Subsidiary (as applicable), Agent and the Lenders."

(d) The paragraph immediately following Section 9.10(d)(x) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"At PC Mall's request, but only at the sole election of all Lenders, the subject Target or the Person acquiring the subject Target or the subject New Subsidiary (as applicable) may be added as a borrower hereunder by executing and delivering a Joinder Agreement. Upon execution and delivery thereof, such Person shall become a borrower hereunder and thereupon shall have all of the rights, benefits, duties, and obligations in such capacity under the Financing Agreements. Regardless of whether the subject Target or the Person acquiring the subject Target or the subject New Subsidiary (as applicable) is or becomes a borrower hereunder, and regardless of whether the Accounts and Inventory of the subject Target or New Subsidiary qualify under the definition of "Eligible Accounts" and "Eligible Inventory" in this Agreement, the inclusion of such Accounts and Inventory in Eligible Accounts and Eligible Inventory shall be subject to:"

(e) The Loan Agreement is hereby amended by attaching Exhibit C attached hereto as Exhibit C thereto.

(f) The Borrowers' address set forth on the signature pages to the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"Address: 1940 E. Mariposa Avenue
El Segundo, California 90245
Attn: Chief Executive Officer"

2. Amendments to Pledge Agreement.

(a) The definition of "Pledgor" set forth in the preamble to the Pledge Agreement is hereby amended to include Holdings in addition to PC Mall, and each reference to "Pledgor" therein shall include Holdings and PC Mall collectively.

(b) The definition of "Affiliates" set forth in the Recitals of the Pledge Agreement is hereby amended to include Holdings, OnSale and eCost in addition to each other Subsidiary of Pledgor.

3. Extension of Time Period to Complete US Restructurings. Pursuant to the First Amendment, Agent and Lenders consented to the US Restructurings (as defined in the First Amendment), so long as, among other things, such transactions were completed within 60 days after the date of the First Amendment. Borrowers failed to complete the US Restructurings within such 60 day time frame and, therefore, have requested that Agent and the Lenders extend the time period that Borrowers have to complete the US Restructurings. Agent and the Lenders hereby agree to extend the time period that Borrowers have to complete the US Restructurings to 30 days after the date hereof. Except as expressly set forth in the preceding sentence, the consummation of the US Restructurings other than in accordance with the terms of Section 2 of the First Amendment shall constitute an Event of Default under Section 10.1(a)(iii) of the Loan Agreement.

4. 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) Agent shall have received amended and restated Term Notes to replace the existing Term Notes.

(c) Agent shall have received an amendment to the deed of trust against the Real Estate, in form and substance satisfactory to Agent, duly executed by M2 Mplace, and such endorsements to its loan policy of title insurance for its deed of trust against the Real Estate, as amended, as it shall reasonably request.

(d) Agent shall have received all consents, waivers, acknowledgments and other agreements from third persons which Agent may deem necessary or desirable in order to permit, protect and perfect its security interests in and liens upon the Collateral held by New Borrowers or to effectuate the provisions or purposes of the Loan Agreement and the other Financing Agreements, including, without limitation, Collateral Access Agreements.

(e) Agent shall have received Deposit Account Control Agreements by and among Agent, each New Borrower and each bank where such New Borrower has a deposit account, in each case, duly authorized, executed and delivered by such bank and such New Borrower (or Agent shall be the bank's customer with respect to such deposit account as Agent may specify).

(f) Agent shall have received lien search results for the jurisdiction of organization of each New Borrower and the jurisdiction of the chief executive office of each New Borrower, which search results shall be in form and substance satisfactory to Agent.

(g) Agent shall have received the certificates evidencing all of the issued and outstanding shares of capital stock of each New Borrower, together with stock powers duly executed and delivered by PC Mall or Holdings, as applicable, therefor in blank.

(h) 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 each New Borrower, including, without limitation, Collateral Assignment of Trademarks, Copyrights and Patents, as applicable.

(i) Agent shall have received a certificate duly executed by the Secretary of each New Borrower, attaching such documents as Agent may require with respect to the organization, existence, good standing, power and authority of each New Borrower.

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

(k) Agent shall have received a favorable opinion letter of counsel to New Borrowers with respect to the transactions contemplated hereby.

(l) 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.

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

(c) 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.

(d) 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 and the Pledge 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, 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.

[Remainder of Page Left Intentionally Blank]

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

BORROWERS:

PC MALL, INC.,
a Delaware corporation

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

PC MALL SALES, INC.,
a California corporation

By: /s/ Pete Freix
Name: Pete Freix
Title: President

AF SERVICES, LLC,
a Delaware limited liability company

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

PC MALL GOV, INC.,
a Delaware corporation

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

[Signature page to Second Amendment to Second Amended and Restated Loan and Security Agreement and Third Amendment to Stock Pledge Agreement]

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M2 MARKETPLACE, INC.,
a Delaware corporation

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

AV ACQUISITION, INC.,
a Delaware corporation

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

MALL ACQUISITION 3, INC.,
a Delaware corporation

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

MALL ACQUISITION SUB 4 INC.,
a Delaware corporation

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

MALL ACQUISITION SUB 5 INC.,
a Delaware corporation

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

[Signature page to Second Amendment to Second Amended and Restated Loan and Security Agreement and Third Amendment to Stock Pledge Agreement]

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PC MALL SERVICES, INC.,
a Delaware corporation

By: /s/ Gregory D. Richey
Name: Gregory D. Richey
Title: President

OSRP, LLC,
a Delaware limited liability company

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

SARCOM, INC.,
a Delaware corporation

By: /s/ WilliamC. Neary
Name: WilliamC. Neary
Title: Chairman

ONSALE HOLDINGS, INC.,
an Illinois corporation

By: /s/ Adam Shaffer
Name: Adam Shaffer
Title: Director

ONSALE, LLC,
an Illinois limited liability company

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

[Signature page to Second Amendment to Second Amended and Restated Loan and Security Agreement and Third Amendment to Stock Pledge Agreement]

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ECOST, LLC,
a Delaware limited liability company

By: /s/ Jason Halfaker
Name: Jason Halfaker
Title: Manager

AGENT AND THE LENDERS:

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

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

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

By: /s/ Nima Rassouli
Name: Nima Rassouli
Title: Assistant Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Robin L. Arriola
Name: Robin L. Arriola
Title: Senior Vice President

[Signature page to Second Amendment to Second Amended and Restated Loan and Security Agreement and Third Amendment to Stock Pledge Agreement]

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SCHEDULE 8.4

Existing Liens

Lienholder	Borrower(s)	Assets	Amount of Debt Secured
IBM Credit LLC	PC Mall, Inc. PC Mall Sales, Inc. AF Services, LLC PC Mall Gov., Inc. M2 Marketplace, Inc. AV Acquisition, Inc. Mall Acquisition 3, Inc. Mall Acquisition Sub 4 Inc. Mall Acquisition Sub 5 Inc. PC Mall Services, Inc. OSRP, LLC Sarcom, Inc. OnSale Holdings, Inc. OnSale, LLC eCost, LLC	All assets	[***]
Apple Inc.	PC Mall, Inc. PC Mall Sales, Inc. AF Services, LLC PC Mall Gov., Inc. M2 Marketplace, Inc. AV Acquisition, Inc. Mall Acquisition 3, Inc. Mall Acquisition Sub 4 Inc. Mall Acquisition Sub 5 Inc. PC Mall Services, Inc. OSRP, LLC Sarcom, Inc. OnSale Holdings, Inc. OnSale, LLC eCost, LLC	Inventory and all proceeds thereof	[***]
Hewlett-Packard Company	PC Mall, Inc. PC Mall Sales, Inc. AF Services, LLC PC Mall Gov., Inc. M2 Marketplace, Inc. AV Acquisition, Inc. Mall Acquisition 3, Inc. Mall Acquisition Sub 4 Inc. Mall Acquisition Sub 5 Inc. PC Mall Services, Inc. OSRP, LLC Sarcom, Inc. OnSale Holdings, Inc. OnSale, LLC eCost, LLC	Equipment and all proceeds thereof	[***]
Cisco Systems Capital Corporation	AF Services, LLC	Equipment and all proceeds thereof	[***]
Compellent Credit	Sarcom, Inc.	Equipment and all proceeds thereof	[***]
CIT Technologies Corporation	Sarcom, Inc.	Equipment and all proceeds thereof	[***]

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Ikon	AF Services, Inc.	Equipment and all proceeds thereof	[***]
Spire	PC Mall, Inc.	Equipment and all accessories for total of $25,000	[***]
Key Government Finance, Inc.	PC Mall, Inc.	Equipment and all proceeds thereof	[***]

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SCHEDULE 8.8

Accounts

1. PC Mall, Inc.:

Institution	Account Number	Branch Address	Type
Bank of America	[***] [***]	150 Long Beach Blvd. Third Floor Long Beach, CA 90852	[***] [***]

2. PC Mall Sales, Inc.:

Institution	Account Number	Branch Address	Type
Bank of America	[***] [***]	150 Long Beach Blvd. Third Floor Long Beach, CA 90852	[***] [***]

3. PC Mall Services, Inc.:

Institution	Account Number	Branch Address	Type
Bank of America	[***] [***]	N/A	[***] [***]

4. Sarcom, Inc.:

Institution	Account Number	Branch Address	Type
Union Bank of California	[***] [***]	N/A	[***] [***]
Bank of America	[***] [***] [***] [***]	N/A	[***] [***] [***] [***]
Huntington Nation	[***] [***] [***] [***] [***] [***] [***]	N/A	[***] [***] [***] [***] [***] [***] [***]

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5. AF Services, LLC:

Institution	Account Number	Branch Address	Type
Bank of America	[***]	150 Long Beach Blvd.	[***]
	[***]	Third Floor	[***]
	[***]	Long Beach, CA 90852	[***]
	[***]		[***]
	[***]		[***]
	[***]		[***]
	[***]		[***]

6. OSRP, LLC:

Institution	Account Number	Branch Address	Type
Bank of America	[***]	N/A	[***]
Rizal Commercial	[***]		[***]
Banking Corporation	[***]		[***]
	[***]		[***]
	[***]		[***]
	[***]		[***]

7. PC Mall Gov, Inc.:

Institution	Account Number	Branch Address	Type
Bank of America	[***]	150 Long Beach Blvd.	Checking
	[***]	Third Floor Long Beach, CA 90852	Controlled disbursement
	[***]		Controlled disbursement
	[***]		Lockbox
	[***]		Checking

8. M2 Marketplace, Inc. (formerly known as Onsale, Inc.):

Institution	Account Number	Branch Address	Type
Bank of America	[***]	150 Long Beach Blvd.	[***]
	[***]	Third Floor Long Beach, CA 90852	[***]
	[***]		[***]
	[***]		[***]
	[***]		[***]

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9. AV Acquisition, Inc.:

Institution	Account Number	Branch Address	Type
N/A	N/A	N/A	N/A

10. Mall Acquisition 3, Inc.:

Institution	Account Number	Branch Address	Type
N/A	N/A	N/A	N/A

11. Mall Acquisition 4, Inc.:

Institution	Account Number	Branch Address	Type
N/A	N/A	N/A	N/A

12. Mall Acquisition 5, Inc.:

Institution	Account Number	Branch Address	Type
N/A	N/A	N/A	N/A

13. OnSale Holdings, Inc.:

Institution	Account Number	Branch Address	Type
Bank of America	[***]	21300 Victory Blvd. Suite 120 Woodland Hills, CA 91367	[***]
	[***]		[***]
	[***]		[***]

14. OnSale, LLC:

Institution	Account Number	Branch Address	Type
Bank of America	[***]	21300 Victory Blvd. Suite 120 Woodland Hills, CA 91367	[***]
	[***]		[***]
	[***]		[***]

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15. eCost, LLC:

Institution	Account Number	Branch Address	Type
Bank of America	[***]	21300 Victory Blvd. Suite 120 Woodland Hills, CA 91367	[***]
	[***]		[***]

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SCHEDULE 9.9

Indebtedness

Lender	Borrower(s)	Maximum Amount of Debt
IBM Credit LLC	PC Mall, Inc. PC Mall Sales, Inc. AF Services, LLC PC Mall Gov., Inc. M2 Marketplace, Inc. AV Acquisition, Inc. Mall Acquisition 3, Inc. Mall Acquisition Sub 4 Inc. Mall Acquisition Sub 5 Inc. PC Mall Services, Inc. OSRP, LLC Sarcom, Inc. OnSale Holdings, Inc. OnSale, LLC eCost, LLC	[***]
Apple Inc.	PC Mall, Inc. PC Mall Sales, Inc. AF Services, LLC PC Mall Gov., Inc. M2 Marketplace, Inc. AV Acquisition, Inc. Mall Acquisition 3, Inc. Mall Acquisition Sub 4 Inc. Mall Acquisition Sub 5 Inc. PC Mall Services, Inc. OSRP, LLC Sarcom, Inc. OnSale Holdings, Inc. OnSale, LLC eCost, LLC	[***]
Hewlett-Packard Company	PC Mall, Inc. PC Mall Sales, Inc. AF Services, LLC PC Mall Gov., Inc. M2 Marketplace, Inc. AV Acquisition, Inc. Mall Acquisition 3, Inc. Mall Acquisition Sub 4 Inc. Mall Acquisition Sub 5 Inc. PC Mall Services, Inc. OSRP, LLC Sarcom, Inc. OnSale Holdings, Inc. OnSale, LLC eCost, LLC	[***]
Cisco Systems Capital Corporation	AF Services, LLC	[***]
Compellent Credit	Sarcom, Inc.	[***]
Ikon	AF Services, Inc.	[***]

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Spire	PC Mall, Inc.	[***]
Key Government Finance, Inc.	PC Mall, Inc.	[***]

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EXHIBIT C

FORM OF JOINDER AGREEMENT

THIS JOINDER AGREEMENT (this "Agreement"), dated as of , , 20 , is entered into among , a (the "New Borrower"), the Lenders (as defined below) signatory hereto, and WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as agent (in such capacity, "Agent") for the Lenders under that certain Second Amended and Restated Loan and Security Agreement dated as of December 14, 2010 among PC MALL, INC., a Delaware corporation ("PC Mall"), PC MALL SALES, INC., a California corporation ("Sales"), AF SERVICES, LLC, a Delaware limited liability company ("AF Services"), PC MALL GOV, INC., a Delaware corporation ("PMCG"), M2 MARKETPLACE, INC., a Delaware corporation, formerly known as Onsale, Inc. ("M2 Mplace"), AV ACQUISITION, INC., a Delaware corporation ("AV Acquisition"), MALL ACQUISITION 3, INC., a Delaware corporation ("Mall 3"), MALL ACQUISITION SUB 4 INC., a Delaware corporation ("Mall 4"), MALL ACQUISITION SUB 5 INC., a Delaware corporation ("Mall 5"), PC MALL SERVICES, INC., a Delaware corporation ("Services"), OSRP, LLC, a Delaware limited liability company ("OSRP"), SARCOM, INC., a Delaware corporation, ONSALE HOLDINGS, INC., an Illinois corporation ("Holdings"), ONSALE, LLC, an Illinois limited liability company ("OnSale"), ECOST, LLC, a Delaware limited liability company ("ECost" and together with PC Mall, Sales, AF Services, PCMG, M2 Mplace, AV Acquisition, Mall 3, Mall 4, Mall 5, Services, OSRP, Sarcom, Holdings and OnSale, each a "Borrower" and collectively the "Borrowers"), the several financial institutions from time to time party to thereto as lenders ("Lenders"), and Agent (as the same may be amended, modified, extended or restated from time to time, the "Loan Agreement"). All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Loan Agreement.

The New Borrower, Agent and the Lenders, hereby agree as follows:

1. The New Borrower hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Borrower will be deemed to be a "Borrower" for all purposes of the Loan Agreement and shall have all of the obligations of a Borrower thereunder as if it had executed the Loan Agreement. The 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 (a) all of the representations and warranties of the Borrowers set forth in Section VIII of the Loan Agreement, (b) all of the covenants set forth in Sections VII and IX of the Loan Agreement and (c) all of the multiple borrower provisions of Section XIV of the Loan Agreement. Without limiting the generality of the foregoing terms of this paragraph 1, the 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.

2. 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, whether now owned or hereafter acquired or existing, and wherever located.

3. Exhibit B to the Loan Agreement and the definition of "Information Certificates" in Section 1.55 of the Loan Agreement shall be deemed include the Information Certificate of New Borrower attached hereto as Exhibit B in addition to the Information Certificates of the Borrowers.

4. The information set forth in Annex 1-A attached hereto supplements the information set forth in Schedules [ ], (1) respectively, to the Loan Agreement and shall be deemed a part thereof for all purposes of the Loan Agreement.

5. The New Borrower hereby represents and warrants to Administrative 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 Annex 1-A as set forth in clauses (1), (3) and (4) above) other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date hereof.

6. The New Borrower represents and warrants to Agent and the Lenders that:

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

(b) This Agreement has been duly executed and delivered by New Borrower and constitutes its valid and legally binding obligation, enforceable against it in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium, or other similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

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

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(1) Borrowers to list schedules proposed to be amended here and the amendments thereto on Annex 1-A.

*** 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.

7. The New Borrower is, simultaneously with the execution of this Agreement, executing and delivering such certificates, agreements, documents and instruments, as requested by Agent to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of the Loan Agreement or any of the other Financing Agreements (including, without limitation, a favorable opinion letter of counsel to New Borrower), in each case, in form and substance satisfactory to Agent.

8. The address of the New Borrower for purposes of Section 13.2 of the Loan Agreement is as follows:

9. This Agreement is a Financing Agreement. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement.

10. Integration. This Agreement, 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.

11. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

[NEW BORROWER]

By: ______________________
Name: ______________________
Title: ______________________

Acknowledged and agreed to as of the date set forth above:

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

By: ______________________
Name: ______________________
Title: ______________________

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

By: ______________________
Name: ______________________
Title: ______________________

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: ______________________
Name: ______________________
Title: ______________________

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EXHIBIT B

INFORMATION CERTIFICATE OF NEW BORROWER

[New Borrower to Provide]

*** 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.

ANNEX I-A

INFORMATION TO BE ADDED TO SCHEDULES

[New Borrower to Provide]

EXHIBIT 10.42

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into by and between Mark T. McGrath ("Executive") and PC Mall, Inc. (individually and collectively with its subsidiaries "PC Mall" or the "Company"). The Agreement shall take effect on February 25, 2012.

RECITALS

A. PC Mall, Inc., through its subsidiaries, operates as a rapid response value-added provider of technology products, services and solutions and electronics products and peripherals to all customer segments for these offerings.

B. The Company has spent significant time, effort, and money to acquire and develop certain goodwill and Proprietary Information (as defined in Section 6.1 below) that it considers vital to its business, and which has become of great value to PC Mall in amassing its clientele and maintaining its operations.

C. The Company also has developed a substantial body of Proprietary Information regarding the methods and systems of operation, which is used by the Company for the acquisition and management of client accounts. PC Mall has also acquired, at great expense and time, Proprietary Information regarding the particularized needs of its clientele, including information regarding its client's finances, marketing, operations, and product needs. The Company has, at all times, kept its Proprietary Information secret, and such information has given the Company a competitive advantage over others engaged in the same type of business.

D. The Company desires to employ Executive as President of PC Mall, Inc. Executive desires to accept such employment with the Company on the terms and conditions set forth in this Agreement.

TERMS OF EMPLOYMENT

NOW, THEREFORE, in consideration of the benefits to be derived from the mutual observance of the agreements and covenants hereinafter contained, the parties agree, covenant, and represent as follows:

1. Position And Responsibilities.

1.1 Employment. The Company hereby employs Executive as President of PC Mall, Inc. with an employment commencement date of March 5, 2012. Executive will work primarily at the Company's headquarters in El Segundo, California, or at such other location as PC Mall may from time to time direct. Executive shall perform all services appropriate to his position as President, as well as such other services as may be assigned from time to time by the Company, and shall report to Frank Khulusi, Chief Executive Officer and Chairman of the Board for PC Mall. The Company shall retain full discretion and control over the means and methods by which Executive performs the above services, and of the places that Executive renders such services.

1.2 Devotion Of Time To The Business. Executive shall devote his entire professional time to his employment with PC Mall, and shall expend his best efforts on behalf of the Company. Executive agrees to abide by all policies, rules, regulations, and decisions adopted by the Company during Executive's employment with the Company. Except upon prior written consent by the Company, Executive will not, during any time he is employed by the Company: (i) accept any other employment; or (ii) engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that might interfere with Executive's duties and responsibilities under this Agreement or create a conflict of interest with the Company.

2. Warranties And Conditions Of Employment.

2.1 No Use Of Former Employer's Information. Executive represents and warrants that he will not use for the benefit of, disclose to, or induce the Company to use any confidential or proprietary information belonging to any former employer or any other entity unless he has the advance, written permission from the employer or entity to do so, or unless the Company has been granted such permission.

2.2 No Conflicting Agreements. Executive represents and warrants that he has not entered into any agreements or understandings with any former employer or entity that would affect his ability to work for, or devote his full and best efforts to his employment with the Company.

3. Compensation And Benefits.

3.1 Base Salary. As compensation for Executive's services, the Company will pay to Executive an annual base salary in the gross amount of Four Hundred Thousand Dollars ($400,000.00) (the "Base Salary"), payable in accordance with the Company's regularly established payroll practices.

3.2 Executive Bonus. Executive will be eligible to earn an annual bonus, which will be paid quarterly pursuant to and in accordance with the Company's existing, or to be established, annual bonus plan or program. Currently, if the Company achieves 100% of the financial and performance targets it has established, Executive will have the opportunity to earn an annual bonus in the total gross amount of Two Hundred Thousand Dollars ($200,000.00), which shall be deemed earned when paid, and for purposes of fiscal year 2012, shall be prorated for the period during which the Executive is employed by the Company during such fiscal year. In the event that Company exceeds or fails to meet its annual financial and performance goals, Executive could earn greater or less than $200,000. The Company's financial and performance goals, and the evaluative goals and measurements by which Executive's annual bonus will be determined, will be established and communicated to Executive in connection with and at such time as the Company establishes the annual executive bonus plan for the Company's participating executive officers. The Company's annual bonus plan or program is subject to change from time to time by the Company in its sole discretion, and the Company reserves the right to modify the financial and performance targets that the Company is to achieve for employee bonus calculations. Accordingly, the bonus amount Executive might earn could change from time to time.

3.3 Signing Bonus.

(a) Subject to the conditions and limitations in this Section 3.3, the Company shall advance to Executive a signing bonus (the "Signing Bonus") in the total sum of One Hundred Twenty Thousand Dollars ($ 120,000.00), less applicable withholding taxes, payable in a lump sum within 60 days after the Executive's commencement of employment under this Agreement. If, prior to the second anniversary of his commencement of employment under this Agreement, Executive voluntarily terminates his employment, or the Company terminates him for Cause (as defined below), then Executive or his estate shall repay the Company the gross amount of the Signing Bonus paid to Executive no later than 30 days after the date such termination of Executive's employment and the failure to do so shall constitute a material breach of the terms of this Agreement. In that event, to the extent permissible under applicable law, the Company may offset the amount of the Signing Bonus owed by Executive from any compensation due to the Executive upon his termination of employment.

(b) The parties acknowledge and agree that the Signing Bonus is intended to compensate Executive for any loss of bonus which Executive had earned as of the date of this Agreement and to which Executive was otherwise entitled to be paid by his previous employer, but for his termination of employment with such previous employer. Accordingly, payment of the Signing Bonus shall be subject to and conditioned upon notification by Executive to the Company that (i) Executive earned and was entitled to be paid a bonus by his previous employer, and (ii) such bonus was not in fact paid to Executive as a direct result of Executive's termination of employment with such previous employer. Any bonus paid by such previous employer to Executive shall reduce the amount of the Signing Bonus (by no more than the full amount of the Signing Bonus) and shall be paid to the Company to offset any amount of the Signing Bonus previously paid by the Company to the Executive. Executive shall cooperate in good faith with the Company in the collection of any such bonus from Executive's previous employer, and Executive agrees to assign and subrogate any rights of Executive to the Company with respect to such bonus after Executive's receipt of payment of the signing bonus under this Section 3.4 (b).

3.4 Non-Qualified Stock Options. Subject to approval by PC Mall's Board of Directors, Executive will be granted a non-qualified option under PC Mall's Amended and Restated 1994 Stock Incentive Plan to purchase an aggregate of Two Hundred Thousand (200,000) shares of the Company's common stock (the "Non-Qualified Option") at an exercise price equal to the closing price of the Company's common stock on the date the Board approves the Non-Qualified Option grant. The Non-Qualified Option shall vest in equal quarterly installments over a period of five years. Executive's entitlement to the Non-Qualified Option is conditioned upon the execution by Executive and the Company of a stock option agreement in the form of PC Mall's standard stock option agreement for similarly situated executive officers of other PC Mall wholly-owned subsidiaries.

3.5 Benefits. Executive shall be eligible to participate in the Company's benefit plans made generally available to similarly situated employees of the Company, including group medical, life and disability insurance, and retirement programs. Executive's eligibility to participate in the Company's benefit plans shall be in accordance with the terms of the benefit plans established by the Company or the governing plan documents, which may be amended from time to time in the Company's sole discretion.

3.6 Vacation. Executive shall be entitled to take paid vacation pursuant to the Company's existing policies regarding paid vacations. Executive shall be granted four weeks of paid vacation per year. Vacation time that is not used will be subject to the same carry over policies as are applicable to similarly situated employees of the Company.

3.7 Withholdings. The Company shall have the right to deduct and withhold amounts from all payments as required under applicable law. Additional amounts may be withheld from payments to the extent such withholding is authorized in writing by Executive.

4. Employment At Will.

4.1 Executive Is Employed At Will. At any time, the Company or Executive may terminate Executive's employment for any reason, or no reason at all, with or without cause, and with or without prior notice. Unless otherwise provided in this Agreement, upon the conclusion of Executive's employment with the Company, the Company will pay Executive all compensation then due and owing to him pursuant to this Agreement. Thereafter, all of the Company's obligations under this Agreement shall cease. The Company may discipline, demote, or dismiss Executive as provided in this Section notwithstanding anything to the contrary contained in or arising from any statements, policies, or practices of the Company relating to the employment, discipline, or termination of its employees.

4.2 Termination Without Cause. If the Company terminates Executive's employment without Cause (as defined below in Section 4.4), it will pay Executive, subject to Executive's compliance with his continuing obligations under this Agreement and the further conditions described below in this Section 4.2, a severance payment in an aggregate amount equal to six months of the Base Salary that Executive is being paid at the time of termination. In the event Executive permanently relocates and maintains his living residence to and in California and is then available to work full time in the Company's headquarters prior to any such termination, the amount of the above described severance payment shall be increased to include an additional severance amount equal to (i) $100,000 for any termination under this Section 4.2 which occurs on or prior to the first anniversary of this Agreement; or (ii) for any termination under this Section 4.2 which occurs at any time after the first anniversary of this Agreement, fifty percent (50%) of the amount of bonus earned by Executive in the prior fiscal year (without regard to Executive's continued employment), up to a maximum of $100,000. The above severance payments are conditioned upon (x) Executive having first signed, and not subsequently revoking, a general release of both known and unknown claims in form acceptable to the Company (the "Release") and (y) such Release becoming irrevocable by its terms within fifty-five (55) calendar days following the date of termination. Any severance payments made pursuant to this Section 4.2 will be paid in substantially equal installments over a period of six calendar months commencing on the Company's first payroll date for the calendar month immediately following the calendar month in which Executive incurs a termination of employment with the Company; provided, however, that any installment payments that otherwise would be payable to Executive pursuant to this Section 4.2 prior to the date upon which Executive's Release becomes irrevocable by its terms shall instead be paid to Executive in a lump-sum payment to be made with the first installment payment paid to Executive after the date upon which Executive's Release becomes irrevocable. After the Company has satisfied its severance payment obligations under this Section, all obligations of the Company under this Agreement shall immediately cease.

4.3 Termination With Cause. Notwithstanding Section 4.2, the Company may terminate Executive's employment for Cause at any time, with or without prior notice, and without any obligation to pay any severance. If Executive is terminated for Cause, the Company shall pay Executive all compensation to which he is entitled up through the date of termination. Thereafter, all obligations of the Company shall immediately cease.

4.4 Definition of Cause. For purposes of this Agreement, the term "Cause" shall mean: (i) a material breach of any term set forth in this Agreement that remains uncured for 14 days after notice of the breach is afforded to Executive; (ii) Executive's failure to follow the reasonable instructions of the Company; (iii) misconduct on Executive's part that is materially injurious to the Company, monetarily or otherwise, including misappropriation of trade secrets, fraud, or embezzlement; (iv) Executive's conviction for fraud or any other felony; or (v) if, in regard to his employment, Executive exhibits unavailability for service, misconduct, dishonesty, or habitual neglect, which conduct remains uncured for 14 days after notice by the Company of its intention to discharge Executive for such conduct.

4.5 Payments Subject to Section 409A. To the extent applicable, this Agreement is intended to be exempt from or comply with Section 409A of the Internal Revenue Code (the "Code") and guidance promulgated thereunder ("Section 409A"), and this Agreement shall be administered and construed in a manner consistent with this intent. In furtherance of the foregoing and notwithstanding anything to the contrary in this Agreement, the provisions in the following subsections 4.5(a) through (c) shall apply if the severance pay described in Section 4.2 constitutes a "deferral of compensation" within the meaning of Section 409A (severance pay constituting the same being referred to herein as "Deferred Compensation"):

(a) Subject to Section 4.5(b) (delayed payment for specified employees), any installment payment that is otherwise payable to Executive pursuant to Section 4.2 within fifty-five (55) days following the date of Executive's termination of employment shall instead be paid to Executive in a lump-sum payment to made with the first installment payment payable to Executive pursuant to Section 4.2 on the date that is at least fifty-five (55) days following the date of Executive's termination of employment.

(b) If Executive is a "specified employee" within the meaning of Section 409A (as determined by the Company in accordance with Section 409A) as of the date of termination, then any payment of Deferred Compensation that Executive otherwise would be entitled to receive hereunder during the first six (6) months following the date of termination shall be withheld until the first day of the seventh month immediately following the date of termination, at which time Executive shall be paid a cash lump-sum payment in an amount equal to the amount of the Deferred Compensation that otherwise would have been paid to Executive pursuant to this Agreement absent the application of this subsection 4.5(b).

(c) For purposes of Section 409A, all amounts payable pursuant to subsection 4.2 shall be treated as a series of separate payments and not as a single payment within the meaning of Treasury Regulation section 1.409A-2(b)(2)(iii).

5. Termination Obligations.

5.1 Resignation From All Offices And Directorships. In the event Executive's employment is terminated for any reason, Executive shall be deemed to have resigned voluntarily from all offices, directorships, and other positions held with the Company and its affiliates (including subsidiaries), if he was serving in any such capacities at the time of termination.

5.2 Cooperation With The Company. In the event Executive's employment is terminated for any reason, Executive will cooperate with the Company in winding up or transferring to other employees any pending work or projects. Executive will also cooperate with the Company in the defense of any action brought by any third party against the Company that relates to Executive's employment with the Company.

5.3 Return Of Documents And Other Information. Executive agrees that all property, including, without limitation, all equipment, tangible Proprietary Information, documents, books, records, reports, notes, contracts, lists, computer disks (and other computer-generated files and data), and copies thereof, created on any medium and furnished to, obtained by, or prepared by Executive in the course of, or incident to his employment, belongs to the Company and shall be returned promptly to the Company upon termination of Executive's employment for any reason.

5.4 Termination Of Benefits. All benefits to which Executive is otherwise entitled shall cease upon Executive's termination, unless explicitly continued either under this Agreement or under any specific written policy or benefit plan of the Company.

6. Proprietary Information; Non-Disclosure; And Non-Solicitation.

6.1 Definition of Proprietary Information. For purposes of this Agreement, "Proprietary Information" means all information and any idea in whatever form, tangible or intangible, whether disclosed to or learned or developed by Executive, pertaining in any manner to the business of the Company or to the Company's affiliates (including subsidiaries), consultants, customers, and business associates, unless: (i) the information is or becomes publicly known through lawful means; (ii) the information was rightfully in Executive's possession or part of his general knowledge prior to his employment by the Company; or (iii) the information is disclosed to Executive without confidential or proprietary restriction by a third party who rightfully possesses the information and did not learn of it, directly or indirectly, from the Company. Executive further understands that the Company considers the following information to be included, without limitation, in the definition of Proprietary Information: (a) techniques, development tools and processes, computer printouts, computer programs, design manuals; (b) information about costs, profits, revenues, margins and markets; (c) plans for future development and new product concepts; (d) customer names, addresses, telephone numbers, facsimile numbers, credit card numbers, contact persons and customer preferences; (e) vendor names, addresses, telephone numbers, facsimile numbers, contact persons, vendor preferences and pricing; (f) marketing plans, bidding information, costs of products, services and other items, proposal information, proposal methods and policies, price schedules, product profit margins, price setting methods and policies, customer service methods and policies, and service plans and policies; (g) product plans, product development plans, product specifications, sources of supply, methods of operation and related materials conceived, created or reduced to practice in the performance of services for the Company; (h) the Company's business plans, accounting records, computer records, computer systems, networking and telecommunication systems, management information systems and programs, audits and other financial data related to products and services provided by the Company; (i) labor rates, commission rates and plans, commission schedules, employee lists, employee performance evaluations and related information, employee titles, outside contracting sources and rates, benefit costs and research reports; and (j) all documents, books, papers, and other data of any kind and description, including electronic data recorded or retrieved by any means, that have been or will be given to Executive by the Company (or any affiliate of it), as well as written or verbal instructions or comments.

6.2 Non-Disclosure. Executive agrees that his work with the Company will involve access to and creation of Proprietary Information. Executive further agrees to hold all Proprietary Information in strict confidence and never to use or disclose any Proprietary Information to anyone at any time, including after the conclusion of his employment with the Company, except to the extent necessary to carry out his responsibilities as an employee of the Company, or as specifically authorized in writing by an authorized officer of the Company, other than Executive.

6.3 Location And Reproduction. Executive shall maintain at his work station and any other place under his control only such Proprietary Information as he has a current "need to know." Executive shall return to the appropriate person or location or otherwise properly dispose of Proprietary Information once that need to know no longer exists.

6.4 Return Of Third-Party Information. Executive represents and warrants that he has returned all property, information, and trade secrets belonging to all prior employers, if any.

6.5 Non-Solicitation. Executive understands and agrees that, because of his responsibilities at the Company, he will help to develop and will be exposed to the Company's business strategies, information about customers and clients, and other valuable Proprietary Information, and that use or disclosure of such Proprietary Information in breach of this Agreement would be extremely difficult to detect or prove. Executive acknowledges that the Company's relationships with its employees, customers, clients, vendors, and other persons are valuable business assets. Therefore, Executive agrees as follows:

(a) Executive shall not, for a period of two years after he is no longer employed by the Company, directly or indirectly solicit, induce, recruit, or encourage any officer, director, or employee of the Company, or any of the Company's affiliates, to leave or terminate his or her employment with the Company or any of the Company's affiliates; and

(b) Executive shall not, for a period of two years after he is no longer employed by the Company: (i) divert or attempt to divert any business from the Company or any of the Company's affiliates; (ii) interfere with any business relationship or contract between the Company, the Company's affiliates, or any of their respective customers, clients, members, vendors, business partners, or suppliers; or (iii) for the purpose of selling products or services competitive with those of the Company or the Company's affiliates, solicit any person, firm, corporation or entity of any kind that was a customer, client or prospective client of the Company or the Company's affiliates at any time during the one-year period preceding the last day of Executive's employment with the Company.

6.6 Injunctions. Executive acknowledges that the restrictions contained in Section 6 of this Agreement are reasonable and necessary in view of the nature of Company's business, in order to protect the legitimate interests of Company, and that any violation thereof would result in irreparable injury to Company. Therefore, Executive agrees that, in the event of a breach or threatened breach by Executive of the provisions of the paragraphs above, the Company shall be entitled to obtain from any court of competent jurisdiction, preliminary and permanent injunctive relief restraining Executive from any violation of the foregoing.

6.7 Post-Employment Obligations. Unless otherwise provided in this Agreement, Executive's obligations as specified in Sections 5 and 6 above shall remain in full force and effect after the termination of this Agreement or Executive's employment with the Company.

7. Arbitration.

7.1 Agreement To Arbitrate. The Company and Executive hereby agree that, to the fullest extent permitted by law, any and all claims or controversies between them (or between Executive and any present or former officer, director, agent, or employee of the Company or any parent, subsidiary, or other entity affiliated with the Company) shall be resolved by final and binding arbitration.

7.2 Claims Subject To Arbitration. Claims subject to arbitration shall include, without limitation, contract claims, tort claims, claims relating to compensation and stock options, as well as claims based on any federal, state, or local law, statute, or regulation, including but not limited to any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the California Fair Employment and Housing Act. However, claims for unemployment benefits, workers' compensation claims, and claims under the National Labor Relations Act shall not be subject to arbitration.

7.3 Rules Governing Arbitration. Any arbitration proceeding shall be conducted in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association. The arbitrator shall apply the same substantive law, with the same statutes of limitations and same remedies, that would apply if the claims were brought in a court of law.

7.4 Permissible Court Actions. Either the Company or Executive may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Otherwise, neither party shall initiate or prosecute any lawsuit or claim in any way related to any arbitrable claim, including without limitation any claim as to the making, existence, validity, or enforceability of the agreement to arbitrate. Nothing in this Agreement, however, precludes a party from filing an administrative charge before an agency that has jurisdiction over an arbitrable claim. Moreover, nothing in this Agreement prohibits either party from seeking provisional relief pursuant to Section 1281.8 of the California Code of Civil Procedure.

7.5 Arbitration Location. All arbitration hearings under this Agreement shall be conducted in Los Angeles, California, unless otherwise agreed by the parties. The arbitration provisions of this Agreement shall be governed by the Federal Arbitration Act ("FAA"), unless the FAA does not apply, in which case the California Arbitration Act shall apply. In all other respects, this Agreement shall be construed in accordance with the laws of the State of California, without reference to conflicts-of-law principles.

7.6 Arbitration Costs. Each party shall pay its own costs and attorneys' fees, unless a party prevails on a statutory claim and the statute provides that the prevailing party is entitled to payment of its attorneys' fees. In that case, the arbitrator may award reasonable attorneys' fees and costs to the prevailing party as provided by law. The Company agrees to pay the costs and fees of the arbitrator to the extent required by law.

7.7 Waiver Of Right To Jury. The parties understand and agree that the arbitration procedure of this Section 7 is intended to be the sole and exclusive method of resolving any disputes arising from this Agreement, including without limitation any claim for breach of this Agreement or otherwise arising out of or relating to this Agreement or Executive's employment, and the parties hereby waive any rights to a jury trial with respect to any such claims or controversies.

8. Severability.

8.1 Severability Of Unenforceable Provisions. The provisions of this Agreement are severable. In the event that any one or more of the provisions contained in this Agreement, or the application thereof in any circumstances, is held invalid, illegal, or unenforceable in any respect for any reason, the validity and enforceability of any such provision in every other respect and of the remaining provisions of this Agreement shall not be in any way impaired or affected. The parties intend that all of the rights and privileges contained in this Agreement shall be enforceable to the fullest extent permitted by law.

8.2 Scope. To the extent that any provision hereof is deemed unenforceable by virtue of its scope, but could be enforceable by reducing the scope, Executive and the Company agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought, and that the Company shall have the right, in its sole discretion, to modify such invalid or unenforceable provision to the extent required to be valid and enforceable.

9. Adjustment of Payments and Benefits.

Notwithstanding any provision of this Agreement to the contrary, if any payment or benefit to be paid or provided hereunder or otherwise (collectively, "Payments") would be an "Excess Parachute Payment," within the meaning of Section 280G of the Code, or any successor provision thereto, but for the application of this sentence, then the Payments shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any Payments, as so reduced, constitutes an Excess Parachute Payment. The determination of whether any reduction in Payments is required pursuant to the preceding sentence shall be made at the expense of the Company, if requested by Executive or the Company, by the Company's independent accountants. In the event that any Payments are required to be reduced pursuant to this Section and no such Payment qualifies as a "deferral of compensation" within the meaning of and subject to Section 409A ("Deferred Compensation"), Executive shall be entitled to designate the Payments to be so reduced in order to give effect to this Section. In the event that any Payment is required to be reduced pursuant to this Section and any such Payment constitutes Deferred Compensation or Executive fails to elect an order in which Payments will be reduced pursuant to this Section, then the reduction shall occur in the following order: (a) reduction in cash payments payable to Executive (with such reduction being applied to the payments in the reverse order in which they would otherwise be made, that is, later payments shall be reduced before earlier payments); (b) cancellation of acceleration of vesting on any equity awards for which the exercise price exceeds the then fair market value of the underlying equity; and (c) cancellation of acceleration of vesting of equity awards not covered under (b) above; provided, however that in the event that acceleration of vesting of equity awards is to be cancelled, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of such equity awards, that is, later equity awards shall be canceled before earlier equity awards.

10. Successors.

This Agreement and the rights and obligations of the parties hereto shall be binding upon and inure to the benefit of any successor or successors of the Company by way of reorganization, merger, acquisition or consolidation, and any assignee of all or substantially all of the Company's business and properties.

11. Amendment; Waiver.

This Agreement may not be orally modified or amended. It may only be modified or amended by an instrument in writing signed by Executive and by a duly authorized representative of the Company, other than Executive. No failure to exercise and no delay in exercising any right, remedy, or power under this Agreement shall operate as a waiver thereof or as a waiver of any other right, remedy, or power, nor shall any single or partial exercise of any right, remedy, or power under this Agreement preclude any other or further exercise of any other right, remedy, or other power provided under this Agreement or by law or in equity.

12. Notice.

All notices, requests, demands, and other communications hereunder shall be in writing, and shall be delivered in person, by facsimile, or by certified or registered mail with return receipt requested. Each such notice, request, demand, or other communication shall be effective: (a) if delivered by hand, when delivered at the address specified in this Section; (b) if delivered by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section and confirmation is received; or (c) if delivered by certified or registered mail, three days after the mailing thereof. Notices shall be delivered as follows:

If to the Company:
PC Mall, Inc.
1940 E. Mariposa Avenue
El Segundo, CA 90245
Attention: Frank Khulusi
Fax: (310) 353-7411

With a copy to:
Jones Day
3161 Michelson, Suite 800
Irvine, CA 92612
Attention: Steven M. Zadravecz
Fax: (949) 553-7539

If to the Executive:

Fax: ( )

Any party may change its address by giving notice to the other party of a new address in accordance with the provisions of this Section.

13. Assignment.

No benefit to Executive under this Agreement shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void. The Company shall be permitted to assign this Agreement to any affiliate or any successor.

14. Integration.

This Agreement is intended to be the final, complete, and exclusive statement of the terms of Executive's employment with the Company. This Agreement supersedes all other prior and contemporaneous agreements and statements, if any, whether written or oral, express or implied, pertaining in any manner to Executive's employment. This Agreement may not be contradicted by evidence of any prior or contemporaneous statements or agreements, if any. To the extent that the practices, policies, or procedures of the Company, now or in the future, apply to Executive and are inconsistent with the terms of this Agreement or the offer letter, the provisions of this Agreement shall control.

15. Interpretation.

The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning and not strictly for or against any party. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa. The descriptive headings of the sections and subsections of this Agreement are inserted for convenience only and shall not control, limit, or affect the interpretation or construction of any of the provisions herein.

16. Governing Law.

This Agreement has been negotiated and executed in the State of California and shall in all respects be governed by and interpreted in accordance with the laws of the State of California without giving effect to conflicts-of-law principles.

**** SIGNATURES ON NEXT PAGE ****

EXECUTIVE ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS. EXECUTIVE FURTHER ACKNOWLEDGES THAT THE COMPANY HAS ADVISED HIM OF HIS RIGHT TO CONSULT WITH LEGAL COUNSEL OF HIS OWN CHOICE CONCERNING THIS AGREEMENT. BY SIGNING THIS AGREEMENT, EXECUTIVE AND THE COMPANY AGREE TO BE BOUND BY ALL OF THE TERMS AND CONDITIONS OF THIS AGREEMENT.

The parties have executed this Agreement on the dates noted below.

Dated: February 25, 2012	PC MALL, INC.
	By: \s\ Frank F. Khulusi Name: Frank F. Khulusi Title: Chief Executive Officer and Chairman of the Board
Dated: February 25, 2012	By: \s\ Mark T. McGrath Mark T.McGrath

EXHIBIT 21.1

PC MALL, INC.

SUBSIDIARIES OF THE REGISTRANT
As of December 31, 2011

Following are the subsidiaries of PC Mall, Inc., other than those which if considered in the aggregate as a single subsidiary would not constitute a significant subsidiary, and the state or other jurisdiction in which each subsidiary was incorporated or organized.

SUBSIDIARIES	JURISDICTION OF INCORPORATION
AF Services, LLC	Delaware
eCost, LLC (1)	Delaware
M2 Marketplace, Inc. (2)	Delaware
Mall Acquisition 3, Inc. (3)	Delaware
OnSale Holdings, Inc. (4)	Illinois
OnSale, LLC (5)	Illinois
OSRP, LLC	Delaware
PC Mall Canada, Inc.	Quebec
PC Mall Gov, Inc. (6)	Delaware
PC Mall Sales, Inc.	California
PC Mall Services, Inc.	Delaware
Sarcom, Inc. (7)	Delaware

(1) Formed in April 2011.
(2) In May 2011, OnSale, Inc. changed its name to M2 Marketplace, Inc. M2 Marketplace, Inc. also conducts its business under the dbas MacMall and ClubMac.
(3) Merged with and into eCost, LLC effective December 31, 2011.
(4) Incorporated in March 2011. (5) Formed in April 2011.
(6) PC Mall Gov also conducts its business under the dbas GMRI and Health Dynamix.
(7) On December 15, 2009, Sarcom, Inc. acquired certain assets of Data Systems Worldwide, Inc. On June 8, 2010, Sarcom, Inc. acquired certain assets of Network Services Plus, Inc. ("NSPI"). Currently, in addition to using the name SARCOM, SARCOM also continues to conduct its business under the dbas Abreon and NSPI.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-00848, No. 333-76851, No. 333-79337, No. 333-82257, No. 333-38860, No. 333-66068, No. 333-105620, No. 333-120708, No. 333-133003, No. 333-141237, No. 333-149763, No. 333-158002 and No. 333-165512) of PC Mall, Inc. (formerly IdeaMall, Inc. and Creative Computers, Inc.) of our report dated March 15, 2012 relating to the financial statements, financial statement schedule, and effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
March 15, 2012

EXHIBIT 31.1

PC MALL, INC.

CERTIFICATION

I, Frank F. Khulusi, certify that:

1. I have reviewed this Annual Report on Form 10-K of PC Mall, 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: March 15, 2012

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

EXHIBIT 31.2

PC MALL, INC.

CERTIFICATION

I, Brandon H. LaVerne, certify that:

1. I have reviewed this Annual Report on Form 10-K of PC Mall, 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: March 15, 2012

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

EXHIBIT 32.1

PC MALL, 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 Annual Report of PC Mall, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2011 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 as of the dates and for the periods indicated.

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

March 15, 2012

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

EXHIBIT 32.2

PC MALL, 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 Annual Report of PC Mall, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2011 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 as of the dates and for the periods indicated.

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

March 15, 2012

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