

PC MALL INC (MALL)

10-K

Annual report pursuant to section 13 and 15(d)

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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, 2010

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)

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

(310) 354-5600
(Registrant's telephone number, including area 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, 2010, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$40.4 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 22, 2011, the registrant had 12,389,766 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 2011 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 Chicago office, HealthDynamix, our Small Business Network and our acquisition of assets of eCOST.com and related strategies for our expected future OnSale segment;
- 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;
- 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 and the impact of changes to our public sector business related to key changes to a primary vendor's programs;
- 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 regulations;
- 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., founded in 1987, together with its wholly-owned subsidiaries (collectively referred to as "PC Mall," "we" or "us"), is a value added direct marketer of technology products, services and solutions to businesses, government and educational institutions and individual consumers. We offer our products, services and solutions through dedicated account executives, field service teams, various direct marketing techniques and a limited number of retail stores. We also utilize distinctive full-color catalogs under the PC Mall, MacMall, PC Mall Gov and SARCOM brands and our websites pcmall.com, macmall.com, sarcom.com, pcmallgov.com, abreon.com, nspi.com, onsale.com, healthdynamix.com, pcmallsbnsbn.com and other promotional materials.

PC Mall plays a valuable role in the IT supply chain. While we provide comprehensive solutions for our customers' technology needs, our business model also provides significant leverage to technology manufacturers and service providers. Through us, technology manufacturers and service providers 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. 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. Additionally, while our experience and expertise in marketing and eCommerce allows us to efficiently reach and capture customers across these segments, our scale and centralized model allow us to efficiently deploy a one-to-many selling and delivery model.

In September 2007, we completed the acquisition of Sarcom, Inc. ("SARCOM"), a provider of advanced technology solutions, for an initial total purchase price of approximately \$55.7 million, including transaction costs, comprised of approximately \$48.2 million in cash and approximately \$7.5 million in shares of our common stock. The purchase price was subsequently adjusted down by \$2.1 million as a result of a final net asset value adjustment entered into on November 6, 2007, under which the sellers tendered back to us approximately 122,478 shares of our common stock previously issued to them.

SARCOM, headquartered in Columbus, Ohio, has served the mid-market and enterprise market for over 20 years and currently specializes in providing enterprise hardware and software solutions, procurement solutions and a full range of professional and managed services. The acquisition included the Abreon Group ("Abreon"), a division of SARCOM. Abreon is a change management business focused on providing business reengineering, business consulting and training services to mid-market and enterprise clients. Our acquisition of SARCOM was motivated in part by our desire to enhance our capabilities as a value added direct marketer of advanced technology products, services and solutions, consistent with our commitment to drive growth in our business in part by expanding our share of our customers' IT spending.

In December 2009, SARCOM acquired certain assets of Data Systems Worldwide, Inc. ("DSW"). DSW, a provider of converged Cisco solutions in the western United States, had approximately 20 employees as of December 15, 2009, the majority of which were service or sales personnel. Each of these employees became employees of SARCOM in connection with the acquisition. DSW's practice areas include managed and professional services and Cisco intelligent networks, facilities, datacenters and security, with a focus on unified communications and connected real estate. During 2010, DSW was assimilated into SARCOM.

In June 2010, SARCOM 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.

Our four operating segments, SMB, MME, Public Sector and MacMall, 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. A description of each of our segments is provided below.

In the fourth quarter of 2009, we changed the name of our Consumer segment to MacMall. The MacMall segment includes sales made under our MacMall and Onsale brand names via telephone and the Internet to consumers, businesses and creative professionals. This was a name change only and does not affect the segment results reported in the current or prior periods.

Our SMB segment consists of sales made primarily to small and medium sized businesses, utilizing an outbound phone based sales force and, where applicable, a field-based sales force. In addition, the SMB segment markets to small businesses through its Small Business Network utilizing its own social network site at www.pcmallsbn.com, which ended 2010 with over 40,000 active users, who are primarily small businesses and IT executives.

Our MME segment consists of sales made primarily to mid-market and enterprise sized businesses under the SARCOM, NSPI and Abreon brands, utilizing a field relationship-based selling model, an outbound phone based sales force and a field service organization. The MME segment sells complex products, services and solutions, which we believe can be delivered best with a face-to-face selling model.

Our Public Sector segment consists of sales made primarily to federal, state, and local governments, as well as educational institutions, utilizing an outbound phone and field relationship-based selling model as well as contracts and bids business development teams.

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 conjunction with this transaction, beginning with the first quarter of 2011, our management will consider the OnSale and eCOST businesses together as a separate segment and will report their results accordingly, including revising all historical segment financial information reported therein. As such, existing sales under the OnSale brand will no longer be reported under the MacMall segment. We expect the MacMall segment to remain primarily focused on targeting small businesses, creative professionals and high-end consumers, predominantly in the Apple and related-products market.

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 new program, 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. Under the prior program through the end of 2007, we claimed annual labor credits of up to 35% of eligible compensation paid to our qualifying employees. As of December 31, 2010, we had an accrued receivable of \$6.8 million related to the 2009 and 2010 calendar years, and we expect to receive full payment under our remaining labor credit claims.

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, 2010, we repurchased a total of 200,084 shares of our common stock under this program for a total cost of \$0.9 million. From the inception of the program in October 2008 through December 31, 2010, we had repurchased an aggregate total of 1,524,494 shares of our common stock for a total cost of \$6.2 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 are discussed below.

Expand Our Client Base and Further Penetrate Our Existing Client Base

During 2010, as commercial, governmental and consumer IT spending started to recover from a broad economic downturn, we continued to invest in people, processes and systems that we feel will enable us to attract new clients and also gain share within our current client base and in incremental markets. For example:

- In late 2009, we launched the Small Business Network at www.pcmallsbn.com, which 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 2010, we grew the number of active members of the Small Business Network to over 40,000 small businesses. While revenues were modest through this site in 2010, our long-term goal is to create a compelling value for those businesses to shift their IT purchases to this network.
- We opened a new office in downtown Chicago in mid-2009. This office houses a new SMB call center, and we have added significant headcount to that location over the last several months. 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, we grew the Chicago SMB location in 2010 to just under 90 outbound account executives and, consistent with our experience in our other outbound call centers, we expect that these account executives will become more productive over time.
- In 2010, we launched Health Dynamix, a vertically integrated team that, while based within our Public Sector segment, will support 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, in mid-2010, 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, we formed a dedicated team of 10 outbound account executives to market to private practitioners and launched a full color catalog, as well as a dedicated website at www.healthdynamix.com. We believe our investment in Health Dynamix will enable us to continue to grow in this important market.
- We saw a return to growth in 2010 for most of our service offerings, and believe that based upon our service capabilities we have a significant opportunity for growth in service sales with our commercial customers. In 2010, we launched an initiative focused on better leveraging our expanded portfolio of service offerings in an effort to enable further penetration of our commercial customer segments. This initiative is intended to bring elements of our different selling organizations, service organizations, and support organizations together to leverage our strengths in services. We also added executive leadership to our service team with the hiring of a new president for our PC Mall Services subsidiary in November of 2010. In addition, we have added marketing resources dedicated to the marketing and merchandising of our service portfolio. We expect that this initiative and our other ongoing efforts will help us to continue to grow our services business.
- 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 web sites. 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 relationship building, 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 sales executives to evaluate, understand and ultimately deliver solutions that address their customers' IT needs.

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

While historically our growth has been driven by growth in hardware and software sales, we also believe that consolidation in our marketplace has created a unique opportunity for companies like us to leverage our scale by offering value-added services and solutions to earn a greater share of our clients' IT expenditures. We work with our customers to identify areas where they can gain efficiencies by outsourcing some of their IT functions to us. 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
- Microsoft Hosting Services
- Remote Systems Monitoring & Management
- IMAC & Deployment Services
- End-User Desktop Services
- Managed Print Services
- Recycling & Disposal Services
- Change Management Consulting Services

With the June 2010 acquisition of NSPI, 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.

With over 700 certified 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 believe that by effectively providing outsourced IT solutions to our customers we will be better able to anticipate their needs and capture a larger share of their IT expenditures.

We continue to focus on sales of solutions including data centers, cloud computing, unified communications, virtualization, secure mobility, borderless networks, enterprise servers, storage and security, software licensing and procurement needs. We believe these represent high growth opportunities in the SMB, mid-market, enterprise and public sector markets. We are authorized to sell Apple, Cisco, HP, IBM, Lenovo, Microsoft, Symantec and other name brand enterprise solutions. We are also authorized to sell annuity based licenses from leading publishers such as Adobe, IBM, Microsoft, Symantec and VMware to our SMB, MME and Public Sector customers. We have continued to invest in pre-sales assets including pre-sales technical representatives, technical content and training that assist our account executives in our SMB, MME and Public Sector segments to identify and close opportunities for products, services and solutions.

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 direct relationships with key sales and marketing personnel from selected partners provide us key insights related to new and existing products, product roadmaps and industry dynamics.

In 2010, 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 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.

In 2010, we combined our traditional pre-sales engineering team with a number of billable engineering personnel in an effort to provide end-to-end solutions engineering support across our commercial segments, and we hired a new leader for this combined team in November 2010. This combination is intended to better identify, scope, close and deliver solutions to our commercial customers. This team is responsible for acquiring and maintaining our technical certifications with our most strategic partners allowing us to sell these solutions and benefit from related vendor consideration.

Leverage Our Shared Services Capabilities

We utilize a centralized infrastructure for our back-office capabilities. While we strive 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 psmall.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 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. Account executives have the authority to vary prices within specified parameters in order to be competitive. In addition, account executives undergo an initial sales training program focusing on use of our systems, product offerings and networking solutions, sales techniques, phone etiquette and customer service. Account executives also attend regular training sessions to stay up-to-date on new products. In addition, we utilize our low cost model in the Philippines (OSRP) to significantly augment the amount of customer service and support personnel available to our commercial sales teams. Customer service and technical support personnel assist outbound account executives, handling administrative tasks, so that account executives can focus on selling. 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.

We believe a key to supporting the successful acquisition and growth of customers in the SMB, mid-market, enterprise and public sector markets is the use of a relationship-based selling model. Our account executives in our segments serving these markets are trained in relationship building, account management and offering high levels of service through a high touch model. Additionally, account executives bring product expertise to bear from within our company, leveraging technical specialists who support our leading OEMs and publishers including Adobe, APC, Apple, Cisco, HP, IBM, Lenovo, Microsoft, Sun Microsystems and Symantec.

We frequently enhance our tools to support our sales activities. Our efforts in this regard have included adding more sophistication to our CRM tools by models we have built to enable our account executives and sales managers to utilize a number of metrics and analytics to derive numerical scores 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.

We fulfill the specific needs of our SMB, MME and Public Sector customers through an outbound phone based sales force and, where applicable, a field based sales force. The sales force is trained in our systems, processes and products and is then provided leads of existing and prospective corporate or public sector customers in the United States. Account executives prospect aggressively into their lead pools to enhance relationships with existing customers, re-establish relationships with inactive customers and build relationships with new customers. Our sales staff strives to build long-term relationships with commercial customers through regular phone contact and personalized service. Commercial customers may choose from several purchase or third-party lease options for financing product purchases and we extend credit to certain commercial customers based upon an evaluation of the customer's financial condition and credit history.

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 outbound phone campaigns and develop custom marketing campaigns for vendor partners that may include 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, 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 2010, 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 investment in mid-2010 was the launch of the eCommerce capability for the MacMall and OnSale brands to participate in leading online consumer marketplace sites. These marketplace sites provide an opportunity for our brands to gain broader access to a larger number of potential consumer customers, and in the fourth quarter of 2010, we saw the results in incremental revenue.

Products and Merchandising

We offer information 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, 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,		
	2010	2009	2008
Notebooks	19.6%	15.8%	16.2%
Software	16.6	16.9	15.9
Desktop	10.0	9.4	9.6
Networking	7.6	7.7	7.3
Professional services	6.0	6.8	5.9
Storage	5.8	8.0	6.9
Displays	4.4	4.0	4.8
iPods/MP3	3.9	4.1	5.1
Manufacturer service and warranty	3.7	4.2	3.7
Servers	3.6	3.3	3.8
Printers	2.7	3.2	3.9
Accessories	2.6	2.7	2.5
Supplies	2.4	3.2	3.0
Power	2.2	2.1	2.0
Input devices	1.9	2.2	1.7
Memory	1.8	1.6	1.9
Consumer electronics	1.2	1.5	1.5
Other (1)	4.0	3.3	4.3
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

Service Offerings for Commercial and Public Sector Markets

We provide sophisticated information technology assessment, planning and implementation services on a national basis to small and medium sized businesses, mid-market and enterprise customers, government and educational institutions, healthcare professionals, and individual consumers. Our services span the entire information technology lifecycle and include:

- Assessment & Planning Services
- Data Center Hosting Services
- Microsoft Hosting Services
- Remote Systems Monitoring & Management
- IMAC & Deployment Services
- End-User Desktop Services
- Managed Print Services
- Recycling & Disposal Services
- Change Management Consulting Services

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 HealthDynamix 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 700 certified engineers, technicians and project managers providing on-site support to our clients. They support a wide variety of technology solutions such as data centers, cloud computing, unified communications, virtualization, secure mobility, borderless networks, enterprise servers, storage and security, software licensing, and procurement needs.

Our engineers are experts in their field who collectively hold over 4,400 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, Sun Microsystems 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%, 19% and 20% of our net sales in 2010, 2009 and 2008. Products manufactured by HP accounted for 20%, 19% and 19% of our net sales in 2010, 2009 and 2008. We are also linked electronically with 15 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, 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. Fifteen 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 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 \$7.1 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 \$4.0 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 are implementing the Cisco solution across all of our locations and expect that all of our locations will be upgraded by the first half 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.

Retail Stores

We currently operate two retail stores, located in Santa Monica and Torrance, California whose target customers are consumers and small businesses residing or located in the local areas.

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 2010, 2009 and 2008 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, 2010, we had 2,562 full-time and 95 part-time employees, consisting of 1,784 in the United States, 342 in Canada and 531 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.

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 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. Our plan is to provide a unified platform for our entire company and to provide a robust and efficient contact center. We are implementing the Cisco solution across all of our locations and expect that all of our locations will be upgraded by the first half 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 such 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 disruptions, delays or deficiencies in the design or implementation of our IT systems, or in the performance of our legacy 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. 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 and 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.

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, HP, IBM, Lenovo, Microsoft and Sony. For example, products manufactured by Apple accounted for approximately 21%, 19% and 20% of our total net sales for 2010, 2009 and 2008, and products manufactured by HP accounted for approximately 20%, 19% and 19% of our total net sales for 2010, 2009 and 2008. 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, HP, IBM, Ingram Micro, Lenovo, Microsoft, Sony, Sun Microsystems 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.

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

We are subject to intense price competition with respect to the products we sell. As a result, our gross margins have historically been narrow, and we expect them to continue to be narrow. As a result of the recent economic downturn, we have experienced increasing price competition, which has had a negative impact on our gross margins. Our narrow gross margins magnify the impact of variations in our operating costs and of adverse or unforeseen events on our 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 of our merchandise 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 and 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;
- the frequency of our catalog mailings, introduction or discontinuation of new catalogs;
- variability in vendor programs;
- the introduction of new products or services by us and 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 computer and electronics products;
- industry announcements and market acceptance of new products or upgrades;
- deferral of customer orders in anticipation of new product applications;
- product enhancements or operating systems;
- the relative mix of products sold during the period;
- any inability on our part to obtain adequate quantities of products carried in our catalogs;
- delays in the release by suppliers of new products and inventory adjustments;
- our expenditures on new business ventures and acquisitions;
- performance of acquired businesses;
- adverse weather conditions that affect 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.

The transition of our business strategy to increasingly 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 increasingly focus on SMB, MME and Public Sector sales. In shifting our focus, we face numerous risks and challenges, including competition from a wider range of sources and an increased need to develop strategic relationships. We cannot assure you that our increased 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 and 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, the potential lack of a limitation of our liability for damages from 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.

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 regulations 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 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 the Internet and eCommerce. 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.

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. For example, data security laws are 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 against companies doing business on the Internet, and individuals are increasingly subjected to identity and credit card theft on the Internet. There is a risk that we may fail to prevent such activities and that our customers or others may assert claims against us. 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 such companies' data security, present an ongoing risk to us, could result in a loss of users and could damage our reputation. 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 users and damage to our reputation and be forced to expend significant amounts of financial and managerial resources to defend against these accusations and we may face potential liability as well as extended regulatory oversight in the form of a long-term consent order.

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.

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. 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 affect 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;
- fluctuations in mail-in rebate redemption rates;
- 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 or overstocking or under-stocking of our products;
- introduction of new or enhanced services or products by us or our competitors;
- fluctuations in shipping costs, particularly during the holiday season;
- changes in the amounts of information technology spending by SMB, MME, Public Sector and MacMall segment customers;
- economic conditions;
- foreign currency exchange rates;
- changes in the mix of products that we sell; and
- fluctuations in levels of inventory theft, damage or obsolescence that we incur.

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, Lenovo, 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 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. Additionally, in connection with our acquisition of real property in March 2011, we expect to enter into further financing arrangements which could bear variable interest rates. 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 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 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 to incur substantial monetary and diverted resource costs in order to protect our intellectual property rights against infringement by others.

Furthermore, we sell products manufactured and distributed by third parties, some of which may be defective. If any product 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. 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 and financial condition.

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

We may be required to expand or change our product, services and solutions categories or offerings, our websites or our processing systems in order to compete in our highly competitive and rapidly changing industry or to efficiently operate our business. Any failure on our part to expand or change the way we do business in a cost-effective and timely manner in response to any such requirements would likely adversely affect our operating results, financial condition and 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 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 product categories in a cost-effective or timely manner. If our new categories of products or services 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 product categories or our inability to generate satisfactory revenue from any expanded product categories to offset their cost could harm our business.

We may not be able to attract and retain key personnel such as senior management and 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, President 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. 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 and 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. Postage represents a significant expense for us because we generally mail our catalogs to current and potential customers through the U.S. Postal Service. Any future increases in postal rates will increase our mailing expenses and could have a material adverse effect on our business, financial condition and results of operations. We also incur significant expenses related to purchasing the paper we use in printing our catalogs. The cost of paper has fluctuated over the last several years, and may increase in the future. We believe that we may be able to recoup a portion of any increased postage and paper costs through increases in vendor advertising rates, but no assurance can be given that any efforts we may undertake to offset all or a portion of future increases in postage, paper and other advertising and marketing costs through increases in vendor advertising rates will be successful or sustained, or that they will offset all of the increased costs. Furthermore, 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 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 goods 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 the majority of our infrastructure, including computer servers, are located near Los Angeles, California in an area that is susceptible to earthquakes 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 have no formal disaster recovery plan and 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 computer hardware, software, peripherals and electronics is highly competitive, based primarily on price, product availability, speed and accuracy of delivery, effectiveness of sales and marketing programs, credit availability, ability to tailor specific solutions to customer needs, quality and breadth of product lines and services, and availability of technical or product information. We compete with other direct marketers, including CDW, Insight Enterprises and PC Connection. In addition, we compete with large value added resellers such as CompuCom Systems and World Wide Technology, and computer retail stores and resellers, including superstores such as Best Buy and Staples, certain hardware and software vendors such as Apple and Dell Computer that sell or are increasing sales directly to end users, online resellers such as Amazon.com, Newegg.com and TigerDirect.com, government resellers such as GTSI, CDWG and GovConnection, software focused resellers such as Soft Choice and Software House International and other direct marketers and value added resellers of hardware, software and computer-related and electronic products. In the direct marketing and Internet retail industries, barriers to entry are relatively low and the risk of new competitors entering the market is high. Certain of our existing competitors have substantially greater financial resources than we have. There can be no assurance that we will be able to continue to compete effectively against existing competitors, consolidations of competitors or new competitors that may enter the market.

Furthermore, the manner in which our products and services 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 vendors have sold, and may intensify their efforts to sell, their products directly to end users. From time to time, certain 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 vendors. Vendors also may attempt to increase the volume of software products distributed electronically to end users' personal computers. Any of these competitive programs, if successful, could have a material adverse effect on our business, financial condition and 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 or services 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 computer 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 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, 2010 were as follows:

Description	Sq. Ft.	Location
Distribution Center and Retail Store	212,000	Memphis, TN
SARCOM Headquarters, Sales Office and Warehouse/Distribution Center	121,486	Lewis Center, OH
PC Mall Corporate Headquarters and Sales Office	59,692	Torrance, 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
Wisconsin Sales Office	4,887	Menomonee Falls, WI

We lease each of our principal facilities, except for the Santa Monica, California retail store, which we own. Our distribution centers include shipping, receiving, warehousing and administrative spaces. All of our segments, except our MacMall segment, use all the properties described above. Our MacMall segment uses each of the properties described above except for the Lewis Center, Ohio office, the Irvine, California office and the Menomonee Falls, Wisconsin office. In addition to the properties listed above, we lease sales offices in various cities in the U.S.

During the first week of January 2011, we closed our retail store located adjacent to our warehouse in Memphis, Tennessee. This retail store was primarily for clearance items and was not a material retail operation.

Effective January 1, 2011, AF Services, LLC, our wholly-owned subsidiary, entered into an amendment to the existing lease agreement, originally dated February 19, 2009, as amended, with SARCOM Properties, Inc., adding an additional 22,514 square feet of space to the existing 121,486 square feet of space utilized primarily by our SARCOM subsidiary. The 144,000 total square feet is used for office and warehouse/distribution space in Lewis Center, Ohio.

On March 11, 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 will be our new corporate headquarters. Our plan is to move into this building from our current headquarters located in Torrance, California in early fall of 2011 before the expiration of the Torrance lease. The total purchase price was \$9.5 million in cash. In addition to the purchase price of the property, we expect to make certain improvements on the property for an expected cost of up to \$4.5 million. In the near term, we expect to complete financing of the building and improvements through a variable interest rate loan committed to us by a commercial bank.

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. REMOVED AND RESERVED

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers as of March 25, 2011 and their respective ages and positions were as follows:

Name	Age	Position
Frank F. Khulusi	44	Chairman of the Board, President and Chief Executive Officer
Brandon H. LaVerne	39	Chief Financial Officer, Treasurer and Chief Accounting Officer
Kristin M. Rogers	52	Executive Vice President — Sales and Marketing
Robert I. Newton	45	Executive Vice President, General Counsel and Secretary
Joseph B. Hayek	38	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. Mr. Khulusi attended the University of Southern California.

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.

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, 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
Year Ended December 31, 2009		
First Quarter	\$ 4.06	\$ 2.84
Second Quarter	8.58	4.38
Third Quarter	8.98	6.50
Fourth Quarter	8.08	5.04

As of the close of business on March 22, 2011, there were approximately 31 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 2011 Annual Meeting of Stockholders.

Issuer Purchases of Equity Securities

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.

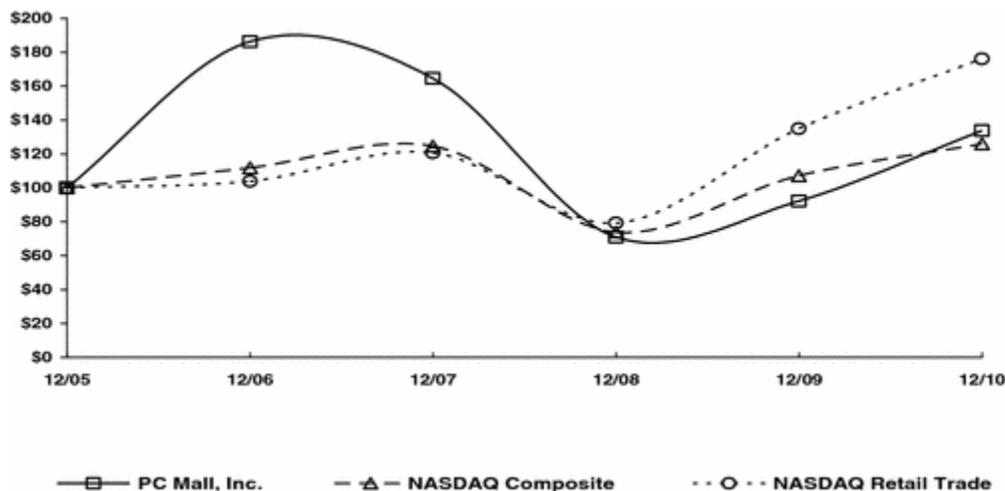
We did not repurchase any shares during the three months ended December 31, 2010. During the year ended December 31, 2010, we repurchased a total of 200,084 shares of our common stock under this program for a cost of \$0.9 million. From the inception of the program in October 2008 through December 31, 2010, we have repurchased an aggregate total of 1,524,494 shares of our common stock for a total cost of \$6.2 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, 2005. The stock price performance shown in this graph is neither necessarily indicative of nor intended to suggest future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among PC Mall, Inc., the NASDAQ Composite Index
and the NASDAQ Retail Trade Index



*\$100 invested on 12/31/05 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	Measurement Period (fiscal years covered)					
	12/05	12/06	12/07	12/08	12/09	12/10
PC Mall, Inc.	\$ 100.00	\$ 186.22	\$ 164.49	\$ 70.85	\$ 92.23	\$ 133.75
NASDAQ Composite	100.00	111.74	124.67	73.77	107.12	125.93
NASDAQ Retail Trade	100.00	103.82	120.64	79.21	134.98	176.03

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, 2010, 2009 and 2008 and the selected consolidated balance sheet data as of December 31, 2010 and 2009 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, 2007 and 2006 along with the consolidated balance sheet data as of December 31, 2008, 2007 and 2006 presented below were derived from our audited consolidated financial statements which are not included elsewhere herein.

	Years Ended December 31,				
	2010	2009	2008	2007	2006
(in thousands, except per share data)					
Consolidated Statements of Operations Data:					
Net sales	\$ 1,368,314	\$ 1,138,061	\$ 1,327,974	\$ 1,215,433	\$ 1,005,820
Cost of goods sold	1,197,019	985,045	1,148,593	1,067,595	881,902
Gross profit	171,295	153,016	179,381	147,838	123,918
Selling, general and administrative expenses	156,827	145,274	155,494	123,520	111,817
Special charges (1)	—	—	4,893	—	1,683
Operating profit	14,468	7,742	18,994	24,318	10,418
Interest expense, net	2,019	1,567	3,667	4,031	3,940
Income before income taxes	12,449	6,175	15,327	20,287	6,478
Income tax expense	4,876	2,818	5,724	7,844	2,522
Net income	<u>\$ 7,573</u>	<u>\$ 3,357</u>	<u>\$ 9,603</u>	<u>\$ 12,443</u>	<u>\$ 3,956</u>
Basic and Diluted Earnings Per Common Share:					
Basic	\$ 0.62	\$ 0.27	\$ 0.72	\$ 0.98	\$ 0.33
Diluted	0.61	0.26	0.69	0.90	0.31

- (1) 2008 includes a \$4.1 million goodwill and intangible asset impairment charge and a \$0.8 million lawsuit settlement charge. 2006 relates to a lawsuit settlement charge.

	At December 31,				
	2010	2009	2008	2007	2006
(in thousands)					
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 10,711	\$ 9,215	\$ 6,748	\$ 6,623	\$ 5,836
Working capital	52,638	54,034	50,847	37,264	43,386
Total assets	334,091	301,176	282,385	296,235	203,567
Short-term debt	783	1,038	1,038	775	500
Line of credit	50,301	53,127	29,010	53,893	32,477
Long-term debt, excluding current portion	2,666	3,333	4,337	4,456	1,750
Total stockholders' equity	107,293	97,755	93,551	84,424	60,824

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., founded in 1987, together with its wholly-owned subsidiaries (collectively referred to as "PC Mall," "we" or "us"), is a value added direct marketer of technology products, services and solutions to businesses, government and educational institutions and individual consumers. We offer our products, services and solutions through dedicated account executives, field service teams, various direct marketing techniques and a limited number of retail stores. We also utilize distinctive full-color catalogs under the PC Mall, MacMall, PC Mall Gov and SARCOM brands and our websites pcmall.com, macmall.com, sarcom.com, pcmallgov.com, abreon.com, nspi.com, onsale.com, healthdynamix.com, pcmallsb.com and other promotional materials.

PC Mall plays a valuable role in the IT supply chain. While we provide comprehensive solutions for our customers' technology needs, our business model also provides significant leverage to technology manufacturers and service providers. Through us, technology manufacturers and service providers 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. 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. Additionally, while our experience and expertise in marketing and eCommerce allows us to efficiently reach and capture customers across these segments, our scale and centralized model allow us to efficiently deploy a one-to-many selling and delivery model.

Our four operating segments, SMB, MME, Public Sector and MacMall, 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. A description of each of our segments is provided below.

In the fourth quarter of 2009, we changed the name of our Consumer segment to MacMall. The MacMall segment includes sales made under our MacMall and Onsale brand names via telephone and the Internet to consumers, businesses and creative professionals. This was a name change only and does not affect the segment results reported in the current or prior periods.

Our SMB segment consists of sales made primarily to small and medium sized businesses, utilizing an outbound phone based sales force and, where applicable, a field-based sales force. In addition, the SMB segment markets to small businesses through its Small Business Network utilizing its own social network site at www.pcmallsbn.com, which ended 2010 with over 40,000 active users, who are primarily small businesses and IT executives.

Our MME segment consists of sales made primarily to mid-market and enterprise sized businesses under the SARCOM, NSPI and Abreon brands, utilizing a field relationship-based selling model, an outbound phone based sales force and a field service organization. The MME segment sells complex products, services and solutions, which we believe can be delivered best with a face-to-face selling model.

Our Public Sector segment consists of sales made primarily to federal, state, and local governments, as well as educational institutions, utilizing an outbound phone and field relationship-based selling model as well as contracts and bids business development teams.

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, 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 capabilities and IT infrastructure and tools in an effort to position us for enhanced productivity and future growth. We are currently engaged in an aggressive market share growth strategy in certain of our segments, which includes targeted aggressive pricing to acquire or enhance customer relationships as well as to enhance vendor relationships.

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%, 19% and 20% of our net sales in 2010, 2009 and 2008. Products manufactured by HP represented 20%, 19% and 19% of our net sales in 2010, 2009 and 2008.

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

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 \$7.1 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 \$4.0 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 are implementing the Cisco solution across all of our locations and expect that all of our locations will be upgraded by the first half of 2011.

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.

In conjunction with this transaction, beginning with the first quarter of 2011, our management will consider the OnSale and eCOST businesses together as a separate segment and will report their results accordingly, including revising all historical segment financial information reported therein. As such, existing sales under the OnSale brand will no longer be reported under the MacMall segment. We expect the MacMall segment to remain primarily focused on targeting small businesses, creative professionals and high-end consumers, predominantly in the Apple and related-products market.

NSPI Acquisition

In June 2010, our SARCOM 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 the next two years, 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 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.

DSW Acquisition

In December 2009, our SARCOM subsidiary acquired certain assets of Data Systems Worldwide, Inc. ("DSW") for a total purchase price of approximately \$1.5 million. DSW, a provider of converged Cisco solutions in the western United States, had approximately 20 employees as of December 15, 2009, the majority of which are service or sales personnel. Each of these employees became employees of Sarcom in connection with the acquisition. DSW's practice areas include managed and professional services and Cisco intelligent networks, facilities, data centers and security, with a focus on unified communications and connected real estate.

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. For 2008, based on our analysis as of December 31, 2008, we determined that approximately \$2.7 million of goodwill and purchased intangibles held by our Public Sector segment, related to our acquisition of Government Micro Resources, Inc. in 2006, and approximately \$1.4 million of goodwill held by our MacMall segment, related to our acquisition of ClubMac in 2002, representing all of the goodwill held at each of these segments as of December 31, 2008, were impaired. As a result, we recorded a non-cash, pre-tax impairment charge totaling \$4.1 million to "Special charges" on our Consolidated Statements of Operations for the year ended December 31, 2008. The \$4.1 million impairment charge resulted in a deferred tax benefit of \$1.5 million. 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 items 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*. ASC 605-25 states that delivered items should be considered separate units of accounting if delivered items have value to the customer on a standalone basis, there is objective and reliable evidence of the fair value of undelivered items, and if delivery of undelivered items is probable and substantially in our control. Generally, we are able to establish fair value for all elements of the arrangement and revenue is recognized on each element separately.

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.

Mail-In Rebate Redemption Rate Estimates. We accrue monthly expense related to promotional mail-in rebates based upon the quantity of eligible orders transacted during the period and the estimated redemption rate. The estimated expense is accrued and presented as a reduction of net sales. The estimated redemption rates used to calculate the accrued mail-in rebate expense and related mail-in rebate liability are based upon historical redemption experience rates for similar products or mail-in rebate amounts. Estimated redemption rates and the related mail-in rebate expense and liability are regularly adjusted as actual mail-in rebate redemptions for the program are processed. If actual redemption rates are greater than anticipated, additional expense may be incurred.

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. As we circulate catalogs throughout the year, we also receive market development funds and other vendor consideration from vendors included in each catalog. These funds may be deferred, when warranted, and recognized based on sales generated over the life of the catalog. Deferred vendor consideration is included in "Accrued expenses and other current liabilities" in our Consolidated Balance Sheets. 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, 2010, 2009 and 2008, 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 review 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, 2010, 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 determined that the estimated fair value of our MME segment exceeded its net carrying value and as such, no impairment of goodwill and indefinite-lived intangible assets existed as of December 31, 2010.

For the year ended December 31, 2009, no impairment of goodwill and indefinite-lived intangible assets existed. For the year ended December 31, 2008, as a result of the global economic downturn and its effect on the results of each of our reporting units and as a result of our 2008 annual impairment analysis, which indicated that there would be no remaining implied value attributable to the goodwill of our Public Sector and MacMall reporting units, we determined that the goodwill and purchased intangible assets related to our Public Sector and the goodwill related to our MacMall segments were impaired. Therefore, we recorded an impairment charge totaling \$4.1 million, which represents the entire goodwill and purchased intangible asset amounts related to our Public Sector (\$2.7 million) and MacMall (\$1.4 million) segments, for the year ended December 31, 2008. The \$4.1 million of total impairment charge was included as part of "Special charges" on our Consolidated Statements of Operations for the year ended December 31, 2008.

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. Determining the fair value of a reporting unit requires the use of significant estimates and assumptions, including revenue growth rates and operating margins, discount rates and future market conditions, among others.

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, 2010 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, 2011 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,		
	2010	2009	2008
Net sales	\$ 1,368,314	\$ 1,138,061	\$ 1,327,974
Cost of goods sold	1,197,019	985,045	1,148,593
Gross profit	171,295	153,016	179,381
Selling, general and administrative expenses	156,827	145,274	155,494
Special charges	—	—	4,893
Operating profit	14,468	7,742	18,994
Interest expense, net	2,019	1,567	3,667
Income before income taxes	12,449	6,175	15,327
Income tax expense	4,876	2,818	5,724
Net income	\$ 7,573	\$ 3,357	\$ 9,603

	As a Percentage of Net Sales For Years Ended December 31,		
	2010	2009	2008
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	87.5	86.5	86.5
Gross profit	12.5	13.5	13.5
Selling, general and administrative expenses	11.5	12.8	11.7
Special charges	—	—	0.4
Operating profit	1.0	0.7	1.4
Interest expense, net	0.1	0.2	0.3
Income before income taxes	0.9	0.5	1.1
Income tax expense	0.3	0.3	0.4
Net income	0.6%	0.2%	0.7%

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	199,534	212,531	(12,997)	(6.1)
Corporate and Other	(149)	2	(151)	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 \$13.0 million, or 6%, to \$199.5 million in 2010 compared to \$212.5 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.

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	21,404	10.7	22,095	10.4	(691)	0.3
Corporate and Other	77	NMF(1)	180	NMF(1)	(103)	NMF(1)
Consolidated gross profit and gross profit margin	<u>\$ 171,295</u>	12.5%	<u>\$ 153,016</u>	13.4%	<u>\$ 18,279</u>	(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 \$21.4 million for 2010 compared to \$22.1 million in 2009, a decrease of \$0.7 million or 3%. Gross profit margin for our MacMall segment increased by 30 basis points to 10.7% in 2010 compared to 10.4% 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.

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	5,329	2.7	3,191	1.5	2,138	1.2
Corporate and Other	(46,150)	(3.4)	(42,957)	(3.8)	(3,193)	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 \$2.1 million, or 67%, to \$5.3 million in 2010 compared to \$3.2 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 fulfillment 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.

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.

Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

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

	Years Ended December 31,		Change	
	2009	2008	\$	%
SMB	\$ 368,846	\$ 486,876	(118,030)	(24.2)%
MME	382,725	426,101	(43,376)	(10.2)
Public Sector	173,957	161,418	12,539	7.8
MacMall	212,531	253,537	(41,006)	(16.2)
Corporate and Other	2	42	(40)	NMF(1)
Consolidated net sales	\$ 1,138,061	\$ 1,327,974	(189,913)	(14.3)%

(1) Not meaningful.

Our consolidated net sales for 2009 were \$1,138.1 million, a \$189.9 million, or 14%, decrease from consolidated net sales of \$1,328.0 million in 2008.

Our SMB segment net sales decreased by \$118.1 million, or 24%, to \$368.8 million in 2009 from \$486.9 million in 2008. The decrease in SMB segment net sales was primarily due to general economic weakness and the resulting softness in IT spending by small and medium sized businesses in North America and a \$25.0 million decrease in lower margin volume iPod sales to certain customers.

Our MME segment net sales decreased by \$43.4 million, or 10%, to \$382.7 million in 2009 from \$426.1 million in 2008. The decrease in MME segment net sales was primarily due to a 13% decrease in product revenues, which was due to general economic weakness and the resulting softness in IT spending by customers in the mid-market and enterprise sector in 2009. The decline in product revenues was partially offset by a 1% increase in service revenues in 2009 compared to 2008. Service revenues included an 8% increase in SARCOM branded professional and managed services and an 18% decline in Abreon branded services, which are primarily focused on change management and eLearning consulting. Service revenues represented 23% of MME net sales in 2009 compared to 20% of MME net sales in 2008.

Our Public Sector segment net sales increased by \$12.6 million, or 8%, in 2009 to \$174.0 million from \$161.4 million in 2008. This increase was primarily due to an 18% increase in sales in our SLED business reflecting increased productivity of SLED account executives and a 4% increase in our Federal business.

Our MacMall segment net sales decreased by \$41.0 million, or 16%, to \$212.5 million in 2009 compared to \$253.5 million in 2008. This decrease was primarily due to general economic weakness, increased competition for retail customers, significant pricing pressure for Apple products and a decrease in average selling prices resulting from a decrease in sales of higher priced items in the notebook computer category. We expect to continue to encounter a similarly competitive economic environment in 2010.

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,					
	2009		2008		Change	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	\$	Margin
SMB	\$ 47,259	12.8%	\$ 60,368	12.4%	\$ (13,109)	0.4%
MME	65,182	17.0	73,600	17.3	(8,418)	(0.3)
Public Sector	18,300	10.5	16,565	10.3	1,735	0.2
MacMall	22,095	10.4	28,647	11.3	(6,552)	(0.9)
Corporate and Other	180	NMF(1)	201	NMF(1)	(21)	NMF(1)
Consolidated gross profit and gross profit margin	<u>\$ 153,016</u>	13.4%	<u>\$ 179,381</u>	13.5%	<u>\$ (26,365)</u>	(0.1)%

(1) Not meaningful.

Consolidated gross profit for 2009 was \$153.0 million compared to \$179.4 million in 2008, a \$26.4 million or 15% decrease. Consolidated gross profit margin was 13.4% in 2009 compared to 13.5% in 2008.

Gross profit for our SMB segment was \$47.3 million in 2009 compared to \$60.4 million in 2008, a decrease of \$13.1 million or 22%. SMB segment gross profit margin increased by 40 basis points to 12.8% in 2009 compared to 12.4% in 2008. The decrease in SMB gross profit was primarily due to the decrease in SMB net sales discussed above. The increase in SMB gross profit margin resulted primarily due to a decline in low margin volume iPod sales discussed above.

Gross profit for our MME segment decreased by \$8.4 million, or 11%, to \$65.2 million in 2009 compared to \$73.6 million 2008, and gross profit margin decreased by 30 basis points to 17.0% in 2009 compared to 17.3% in 2008. The decrease in MME gross profit was primarily due to the decreased MME net sales discussed above. The decrease in gross profit margin was primarily due to a decrease in MME selling margin due to a competitive pricing environment, partially offset by a 36 basis point increase in vendor consideration as a percentage of net sales.

Gross profit for our Public Sector segment increased by \$1.7 million, or 10%, to \$18.3 million in 2009 compared to \$16.6 million in 2008. Public Sector gross profit margin increased by 20 basis points to 10.5% in 2009 compared to 10.3% in 2008. The increase in our Public Sector gross profit was primarily due to the increase in Public Sector net sales discussed above. The increase in our Public Sector gross profit margin was primarily due to an increase in selling margin related to an improved product mix, partially offset by a decrease of 9 basis points in vendor consideration as a percentage of net sales.

Gross profit for our MacMall segment for 2009 was \$22.1 million compared to \$28.6 million in 2008, a decrease of \$6.5 million or 23%. Gross profit margin for our MacMall segment decreased by 90 basis points to 10.4% in 2009 compared to 11.3% in 2008. The decrease in our MacMall gross profit was primarily due to the decrease in MacMall net sales discussed above. The decrease in our MacMall gross profit margin was primarily due to a very competitive pricing environment and a 33 basis point decrease in vendor consideration as a percentage of net sales. We expect this competitive environment to continue in 2010.

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,					
	2009		2008		Change	
	Operating Profit (Loss)	Operating Profit Margin(1)	Operating Profit (Loss)	Operating Profit Margin(1)	\$	Margin
SMB	\$ 23,048	6.2%	\$ 29,514	6.1%	\$ (6,466)	0.1%
MME	18,613	4.9	18,379	4.3	234	0.6
Public Sector	5,847	3.4	2,200	1.4	3,647	2.0
MacMall	3,191	1.5	7,540	3.0	(4,349)	(1.5)
Corporate and Other	(42,957)	(3.8)	(38,639)	(2.9)	(4,318)	(0.9)%
Consolidated operating profit and operating profit margin	<u>\$ 7,742</u>	0.7%	<u>\$ 18,994</u>	1.4%	<u>\$ (11,252)</u>	(0.7)%

(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 2009 decreased by \$11.3 million, or 59%, to \$7.7 million compared to \$19.0 million in 2008. Consolidated operating profit margin for 2009 was 0.7% compared to 1.4% in 2008, a decrease of 70 basis points. Consolidated operating profit and operating profit margin in 2008 were impacted by a \$4.1 million goodwill and intangible asset impairment charge and a \$0.8 million lawsuit settlement charge.

Operating profit in 2009 for our SMB segment decreased by \$6.5 million, or 22%, to \$23.0 million compared to \$29.5 million in 2008. The decrease was primarily due to the \$13.1 million decrease in SMB gross profit discussed above, partially offset by a \$5.2 million decrease in SMB personnel costs, a \$0.6 million decrease in credit card related fees, a \$0.6 million decrease in bad debt expense and a \$0.6 million decrease in variable fulfillment costs.

Our MME segment operating profit in 2009 increased by \$0.2 million, or 1%, to \$18.6 million compared to \$18.4 million in 2008. The increase in MME operating profit was primarily due to a \$7.7 million decrease in MME personnel costs, which resulted primarily from centralization of resources of \$3.7 million to our Corporate & Other segment and a \$2.4 million decrease in variable compensation, a \$0.5 million decrease in travel and entertainment expenses offset by the \$8.4 million decrease in MME gross profit discussed above.

Operating profit in 2009 for our Public Sector segment was \$5.8 million compared to \$2.2 million in 2008, an increase of \$3.6 million, or 166%. The increase in Public Sector segment operating profit in 2009 was primarily due to the \$1.7 million increase in Public Sector gross profit discussed above and a \$2.7 million goodwill impairment charge in 2008, partially offset by a \$0.6 million increase in personnel costs in 2009 primarily in our federal government business.

Operating profit in 2009 for our MacMall segment decreased by \$4.3 million, or 58%, to \$3.2 million compared to \$7.5 million in 2008. The decrease in MacMall segment operating profit was primarily due to the \$6.6 million decrease in MacMall segment gross profit discussed above, partially offset by a \$1.4 million goodwill impairment charge in 2008, a \$0.8 million decrease in credit card related fees and a \$0.4 million decrease in advertising expenditures.

Corporate and Other expenses increased by \$4.4 million, or 11%, to \$43.0 million in 2009 from \$38.6 million in 2008. This increase was primarily due to a \$3.3 million increase in personnel costs, which includes \$3.7 million of centralization of certain resources from our MME segment, partially offset by a \$0.4 million decrease in other personnel costs. The increase in Corporate and Other expenses also included a \$1.7 million increase in professional service related costs, which includes \$1.0 million in legal costs related to defending what we believe is a meritless lawsuit by a competitor in connection with our hiring of two account executives. Corporate and Other expenses in 2008 included a \$0.8 million lawsuit settlement in the second quarter of 2008. As a percent of consolidated net sales, Corporate and Other expenses increased by 90 basis points in 2009 to 3.8% compared to 2.9% in 2008, primarily due to the decrease in consolidated net sales discussed above and the centralization of certain resources from our MME segment.

Net Interest Expense. Total net interest expense in 2009 decreased to \$1.6 million compared with \$3.7 million in 2008. The decrease in interest expense resulted primarily from a decrease in our average effective rate in 2009 compared to 2008 and a decrease in our average total outstanding borrowings in 2009.

Income Tax Expense. We recorded an income tax expense of \$2.8 million in 2009 compared to an income tax expense of \$5.7 million in 2008. Our effective tax rates for 2009 and 2008 were 46% and 37%. The decrease in income tax expense is primarily attributable to the decrease in pre-tax income. The increase in our effective tax rate was primarily due to the impact of a tax adjustment relating to a dividend from a foreign subsidiary.

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, 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 efforts to focus on SMB, MME and Public Sector sales 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, which was amended in December 2010, will be adequate to support our current operating plans for at least the next 12 months.

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 the operation of eCOST.com's business or through the website from and after the acquisition date. For more information, see Part II, Item 8, Note 16 of the Notes to the Consolidated Financial Statements of this report.

On March 11, 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 will be our new corporate headquarters. Our plan is to move into this building from our current headquarters located in Torrance, California in early fall of 2011 before the expiration of the Torrance lease. The total purchase price was \$9.5 million in cash. In addition to the purchase price of the property, we expect to make certain improvements on the property for an expected cost of up to \$4.5 million. In the near term, we expect to complete financing of the building and improvements through a variable interest rate loan committed to us by a commercial bank. Under the terms of a commitment letter to us from a commercial bank, the maximum amount of the committed loan is the lesser of \$12 million, 75% of the "as improved" value of the property, and 75% of our acquisition and improvement costs. The commitment for the loan provides for a five year term with 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. The loan will be secured by the real property, and will contain financial covenants substantially similar to those of our existing asset-based credit facility.

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.

We had cash and cash equivalents of \$10.7 million at December 31, 2010 and \$9.2 million at December 31, 2009. Our working capital decreased by \$1.2 million to \$52.8 million at December 31, 2010 from working capital of \$54.0 million at December 31, 2009.

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, 2010, we had repurchased a total of 200,084 shares of our common stock under this program for a cost of \$0.9 million. From the inception of the program in October 2008 through December 31, 2010, we had repurchased an aggregate total of 1,524,494 shares of our common stock for a cost of \$6.2 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), replacing the prior government subsidy program which ended at the end of 2007. In addition to other eligibility requirements under the new program, 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. Under the prior program through the end of 2007, we claimed annual labor credits of up to 35% of eligible compensation paid to our qualifying employees. As of December 31, 2010, we had an accrued receivable of \$6.8 million related to the 2009 and 2010 calendar years, and we expect to receive full payment under our remaining labor credit claims.

Cash Flows from Operating Activities. Net cash provided by operating activities was \$28.3 million in 2010 compared to net cash used in operating activities of \$9.0 million in 2009 and net cash provided by operating activities of \$28.2 million in 2008. The \$37.3 million of increase in net cash provided by operating activities in 2010 from 2009 was primarily related to a \$30.7 million improvement in the management of our working capital and a \$6.6 million increase in our net income adjusted for non-cash items. The \$30.7 million improvement in the management of our working capital resulted from a \$20.1 million improvement in the management of our accounts payable, a \$6.8 million improvement in the management of our deferred revenue, a \$5.7 million improvement in the management of our inventory and a \$5.0 million improvement in the management of our accrued expenses and other current liabilities. The \$6.6 million increase in our net income adjusted for non-cash items resulted primarily from the \$4.2 million increase in our net income in 2010 from 2009 and a \$2.6 million increase in depreciation and amortization expense relating to the completed portions of our ERP and IT infrastructure upgrades.

The \$37.2 million decrease in net cash provided by operating activities in 2009 from 2008 was primarily related to a \$30.2 million decrease in the management of our working capital and a \$7.0 million decrease in our net income adjusted for non-cash items. The \$30.2 million decrease resulted primarily from a \$24.4 million increase in our accounts receivable and a \$6.8 million decrease related to our deferred revenues. The \$7.0 million decrease in our net income adjusted for non-cash items resulted primarily from the \$6.2 million decrease in our net income in 2009 from 2008 and the \$4.1 million of goodwill and intangible asset impairment charge in 2008, partially offset by a \$2.6 million increase in provision for deferred taxes.

Cash Flows from Investing Activities. Net cash used in investing activities during the years ended December 31, 2010, 2009 and 2008 was \$16.8 million, \$9.3 million and \$3.2 million, respectively. 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. The \$3.2 million of net cash used in investing activities in 2008 was primarily due to the creation of enhanced electronic tools for our account executives and sales support staff, the continued expansion of our Philippines offices, leasehold improvements and capitalized labor relating to internally developed software.

Cash Flows from Financing Activities. Net cash used in financing activities was \$10.2 million in 2010 compared to net cash provided by financing activities of \$19.8 million in 2009 and net cash used in financing activities of \$25.2 million in 2008. 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. The \$25.2 million of net cash used in financing activities in 2008 was primarily due to the \$24.9 million repayment on our line of credit and a \$2.6 million repurchase of our common shares into treasury stock, partially offset by a \$2.4 million increase in book overdraft.

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 0.75 to 1.0 for periods ending on or prior to September 30, 2011, increasing to 1.0 to 1.0 for twelve-month periods ending on or after December 31, 2011. At December 31, 2010, we did not have an

FCCR triggering event.

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, 2010, we had \$50.3 million of net working capital advances outstanding under the line of credit. At December 31, 2010, the maximum credit line was \$160 million and we had \$96.7 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, 2010, we had \$2.87 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 2011 through 2017.

At December 31, 2010, our effective weighted average annual interest rate on outstanding amounts under the credit facility and term note was 2.57%.

At December 31, 2010, \$0.3 million and \$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" and "Notes payable and other long-term liabilities," respectively, on our Consolidated Balance Sheets. See "Other Planned Capital Projects" below for a detailed discussion.

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, 2010 (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 obligation (a) (Note 7)	\$ 3,360	\$ 647	\$ 1,073	\$ 820	\$ 820
Purchase obligations (b) (Note 9)	8,457	6,963	1,494	—	—
Operating lease obligations (Note 9)	18,946	6,173	8,120	3,880	773
Capital lease obligations (Note 9)	2,549	870	1,448	231	—
Total contractual obligations	<u>\$ 33,312</u>	<u>\$ 14,653</u>	<u>\$ 12,135</u>	<u>\$ 4,931</u>	<u>\$ 1,593</u>

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Other commercial commitments					
Line of credit (a) (Note 7)	\$ 50,301	\$ 50,301	—	—	—
Standby Letters of Credit (c)	10,098	10,000	—	98	—
Earn-out (d)	3,200	1,421	1,779	—	—

- (a) Long-term debt obligation 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, 2010.
- (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 \$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 and the respective earn-out periods.

Effective January 1, 2011, AF Services, LLC, our wholly-owned subsidiary, entered into an amendment to the existing lease agreement, originally dated February 19, 2009, as amended, with SARCOM Properties, Inc., adding an additional 22,514 square feet of space to the existing 121,486 square feet of space utilized primarily by our SARCOM subsidiary. For more information, see Part II, Item 8, Note 16 of the Notes to the Consolidated Financial Statements of this report.

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 \$7.1 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 \$4.0 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 \$3.7 million of the Cisco solution. We expect to receive the remainder of the equipment and services in the first quarter of 2011. We are implementing the Cisco solution across all of our locations and expect that all of our locations will be upgraded by the first half of 2011.

Off-Balance Sheet Arrangements

As of December 31, 2010, 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 October 2009, the FASB issued ASU 2009-14, "Certain Arrangements That Contain Software Elements (Topic 985) — a consensus of the FASB Emerging Issues Task Force." ASU 2009-14 amends the scope of software revenue guidance in ASC Subtopic 985-605, "Software-Revenue Recognition," to exclude tangible products containing software and non-software components that function together to deliver the product's essential functionality. In October 2009, FASB also issued ASU 2009-13, "Multiple-Deliverable Revenue Arrangements (Topic 605) — a consensus of the FASB EITF." ASU 2009-13 eliminates the residual method of allocation and requires the relative selling price method when allocating arrangement consideration to all deliverables at the inception of the arrangement. ASU 2009-13 specifies that the best estimate of a selling price is consistent with that used to determine the price to sell the deliverable on a standalone basis. ASU 2009-14 and ASU 2009-13 are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, and must be adopted in the same period using the same transition method. If adoption is elected in a period other than the beginning of a fiscal year, the amendments in these standards must be applied retrospectively to the beginning of the fiscal year. Full retrospective application of these amendments to prior fiscal years is optional. We believe that the adoption of ASU 2009-14 and ASU 2009-13 will not have a significant impact on our consolidated financial statements.

In May 2009, the FASB issued ASC 855-10-05 (formerly SFAS No. 165, "Subsequent Events") which establishes accounting and disclosure requirements for subsequent events. ASC 855-10-05 sets forth the period after the balance sheet date during which we should evaluate events or transactions that occur for potential recognition or disclosure in our financial statements, the circumstances under which we should recognize events or transactions occurring after the balance sheet date in our financial statements and the required disclosures for such events or transactions. ASC 855-10-05 is effective for interim or annual financial periods ending after June 15, 2009, and as such, we adopted ASC 855-10-05 prospectively beginning in our quarterly period ended June 30, 2009. In February 2010, the FASB issued ASU 2010-09, "Subsequent Events (Topic 855) — Amendments to Certain Recognition and Disclosure Requirements." ASU 2010-09 removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. The amendment in the ASU was effective for the Company upon issuance (February 24, 2010). We have evaluated subsequent events through the filing date of this report pursuant to ASC 855-10-05.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments include cash and cash equivalents and long-term debt. At December 31, 2010, 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, 2010. 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, 2010, we had \$50.3 million outstanding under our line of credit and \$2.9 million outstanding under our note payable. As of December 31, 2010, the hypothetical impact of a one percentage point increase in interest rate related to the outstanding borrowings under our line of credit and note payable would be to increase our annual interest expense by approximately \$0.5 million. Additionally, we expect that in connection with the acquisition of real property located in El Segundo, California in March 2011, we will enter into additional variable rate financing arrangements which also will be subject to risks of fluctuating interest rates. For more information on the acquisition of real property, see discussion above under "Liquidity and Capital Resources — Working Capital."

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, 2010, 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Statements and Supplementary Data

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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, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 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. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
March 25, 2011

PC MALL, INC.

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

	At December 31,	
	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,711	\$ 9,215
Accounts receivable, net of allowances of \$1,802 and \$2,740	183,944	161,468
Inventories, net	63,583	68,564
Prepaid expenses and other current assets	10,022	9,290
Deferred income taxes	3,798	3,297
Total current assets	272,058	251,834
Property and equipment, net	21,851	17,091
Deferred income taxes	604	1,538
Goodwill	25,510	19,291
Intangible assets, net	11,749	10,354
Other assets	2,319	1,068
Total assets	<u>\$ 334,091</u>	<u>\$ 301,176</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 124,851	\$ 108,773
Accrued expenses and other current liabilities	31,279	25,148
Deferred revenue	12,206	9,714
Line of credit	50,301	53,127
Note payable — current	783	1,038
Total current liabilities	219,420	197,800
Note payable and other long-term liabilities	4,607	5,621
Deferred income taxes	2,771	—
Total liabilities	<u>226,798</u>	<u>203,421</u>
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; 14,089,672 and 14,031,740 shares issued; and 12,148,500 and 12,290,652 shares outstanding, respectively	14	14
Additional paid-in capital	104,894	102,361
Treasury stock, at cost: 1,941,172 and 1,741,088 shares	(7,176)	(6,254)
Accumulated other comprehensive income	2,465	2,111
Retained earnings (deficit)	7,096	(477)
Total stockholders' equity	<u>107,293</u>	<u>97,755</u>
Total liabilities and stockholders' equity	<u>\$ 334,091</u>	<u>\$ 301,176</u>

See Notes to the Consolidated Financial Statements.

PC MALL, INC.

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

	Years Ended December 31,		
	2010	2009	2008
Net sales	\$ 1,368,314	\$ 1,138,061	\$ 1,327,974
Cost of goods sold	1,197,019	985,045	1,148,593
Gross profit	171,295	153,016	179,381
Selling, general and administrative expenses	156,827	145,274	155,494
Special charges	—	—	4,893
Operating profit	14,468	7,742	18,994
Interest expense, net	2,019	1,567	3,667
Income before income taxes	12,449	6,175	15,327
Income tax expense	4,876	2,818	5,724
Net income	\$ 7,573	\$ 3,357	\$ 9,603
Basic and Diluted Earnings Per Common Share			
Basic	\$ 0.62	\$ 0.27	\$ 0.72
Diluted	0.61	0.26	0.69
Weighted average number of common shares outstanding:			
Basic	12,220	12,373	13,268
Diluted	12,468	12,675	13,861

See Notes to the Consolidated Financial Statements.

PC MALL, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock	Additional	Treasury	Accumulated	Retained	Total	
	Outstanding	Amount	Capital	Stock	Other Comprehensive Income	Earnings (Deficit)	
Balance at December 31, 2007	13,260	\$ 14	\$ 97,869	\$(1,015)	\$ 993	\$(13,437)	\$ 84,424
Stock option and warrant exercises, including related income tax benefit	142	—	354	—	—	—	354
Restricted stock awards	21	—	—	—	—	—	—
Stock-based compensation expense	—	—	1,509	—	—	—	1,509
Purchases of common stock under a stock repurchase program	(742)	—	—	(2,608)	—	—	(2,608)
Subtotal	—	—	—	—	—	—	83,679
Net income	—	—	—	—	—	9,603	9,603
Translation adjustments, net of taxes	—	—	—	—	269	—	269
Comprehensive income	—	—	—	—	—	—	9,872
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

See Notes to the Consolidated Financial Statements.

PC MALL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2010	2009	2008
Cash Flows From Operating Activities			
Net income	\$ 7,573	\$ 3,357	\$ 9,603
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	8,157	5,597	5,606
Goodwill and intangible assets impairment charge	—	—	4,103
Provision for deferred income taxes	3,327	4,273	1,698
Net tax benefit (expense) related to stock option exercises	96	309	(74)
Excess tax benefit related to stock option exercises	(31)	(289)	(487)
Non-cash stock-based compensation	2,365	1,684	1,509
Loss (gain) on sale of fixed assets	14	22	(1)
Change in operating assets and liabilities:			
Accounts receivable	(21,516)	(12,921)	11,513
Inventories	4,981	(719)	(4,028)
Prepaid expenses and other current assets	(561)	(1,942)	1,905
Other assets	324	(24)	410
Accounts payable	19,352	(779)	(2,858)
Accrued expenses and other current liabilities	2,351	(2,672)	(2,578)
Deferred revenue	1,908	(4,858)	1,899
Total adjustments	20,767	(12,319)	18,617
Net cash provided by (used in) operating activities	28,340	(8,962)	28,220
Cash Flows From Investing Activities			
Acquisition of NSPI, net of cash acquired	(8,788)	—	—
Purchases of property and equipment	(8,019)	(8,240)	(3,153)
Acquisition of DSW	—	(1,020)	—
Proceeds from sale of fixed assets	19	—	2
Net cash used in investing activities	(16,788)	(9,260)	(3,151)
Cash Flows From Financing Activities			
Net (payments) borrowings under line of credit	(4,236)	24,117	(24,883)
Change in book overdraft	(3,454)	(1,117)	2,367
Payments under note payable	(1,143)	(1,004)	(775)
Payments for deferred financing costs	(104)	—	(75)
Payments of obligations under capital lease	(483)	(450)	(154)
Proceeds from stock issued under stock option plans	72	636	428
Excess tax benefit related to stock option exercises	31	289	487
Common shares repurchased and held in treasury	(922)	(2,631)	(2,608)
Net cash (used in) provided by financing activities	(10,239)	19,840	(25,213)
Effect of foreign currency on cash flow	183	849	269
Net change in cash and cash equivalents	1,496	2,467	125
Cash and cash equivalents at beginning of the period	9,215	6,748	6,623
Cash and cash equivalents at end of the period	\$ 10,711	\$ 9,215	\$ 6,748
Supplemental Cash Flow Information			
Interest paid	\$ 1,829	\$ 1,516	\$ 3,745
Income taxes paid	1,558	2,446	2,945
Supplemental Non-Cash Investing and Financing Activities (Notes 4 and 7)			
Deferred financing costs	\$ 1,410	\$ —	\$ —
Purchase of infrastructure system	—	1,105	2,741
Seller financed purchase of ERP system	—	—	919
Goodwill related to acquisitions	—	—	374
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., founded in 1987, together with its wholly-owned subsidiaries (collectively referred to as "PC Mall," "we" or "us"), is a value added direct marketer of technology products, services and solutions to businesses, government and educational institutions and individual consumers. We offer our products, services and solutions through dedicated account executives, field service teams, various direct marketing techniques and a limited number of retail stores. We also utilize distinctive full-color catalogs under the PC Mall, MacMall, PC Mall Gov and SARCOM brands and our websites pmall.com, macmall.com, sarcom.com, pmallgov.com, abreon.com, nspi.com, onsale.com, healthdynamix.com, pmallsb.com and other promotional materials.

PC Mall plays a valuable role in the IT supply chain. While we provide comprehensive solutions for our customers' technology needs, our business model also provides significant leverage to technology manufacturers and service providers. Through us, technology manufacturers and service providers 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. 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. Additionally, while our experience and expertise in marketing and eCommerce allows us to efficiently reach and capture customers across these segments, our scale and centralized model allow us to efficiently deploy a one-to-many selling and delivery model.

Our four operating segments, SMB, MME, Public Sector and MacMall, 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. A description of each of our segments is provided below.

In the fourth quarter of 2009, we changed the name of our Consumer segment to MacMall. The MacMall segment includes sales made under our MacMall and Onsale brand names via telephone and the Internet to consumers, businesses and creative professionals. This was a name change only and does not affect the segment results reported in the current or prior periods.

Our SMB segment consists of sales made primarily to small and medium sized businesses, utilizing an outbound phone based sales force and, where applicable, a field-based sales force. In addition, the SMB segment markets to small businesses through its Small Business Network utilizing its own social network site at www.pmallsb.com, which ended 2010 with over 40,000 active users, who are primarily small businesses and IT executives.

Our MME segment consists of sales made primarily to mid-market and enterprise-sized businesses under the SARCOM, NSPI and Abreon brands, utilizing a field relationship-based selling model, an outbound phone based sales force and a field service organization. The MME segment sells complex products, services and solutions, which we believe can be delivered best with a face-to-face selling model.

Our Public Sector segment consists of sales made primarily to federal, state, and local governments, as well as educational institutions, utilizing an outbound phone and field relationship-based selling model as well as contracts and bids business development teams.

2. Basis of Presentation and Summary of Significant Accounting Policies

In June 2009, the Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Codification ("ASC") 105-10-05 (formerly Statement of Financial Accounting Standards ("SFAS") No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162"). ASC 105-10-05 establishes that the FASB ASC will become the source of authoritative generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. ASC 105-10-05 is not intended to change existing GAAP and as such, it will not have a significant impact on our consolidated financial statements. We adopted ASC 105-10-05 effective on July 1, 2009 and we have replaced references to legacy GAAP with references to the ASC, where appropriate.

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 items 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*. ASC 605-25 states that delivered items should be considered separate units of accounting if delivered items have value to the customer on a standalone basis, there is objective and reliable evidence of the fair value of undelivered items, and if delivery of undelivered items is probable and substantially in our control. Generally, we are able to establish fair value for all elements of the arrangement and revenue is recognized on each element separately.

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 and other consideration from vendors included in our catalogs, 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 \$4.1 million and \$5.2 million at December 31, 2010 and 2009. Checks issued but not presented for payment to the bank, net of available cash subject to a right of offset, totaling \$0.7 million and \$4.1 million as of December 31, 2010 and 2009 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):

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Trade receivables	\$ 161,930	\$ 138,450
Vendor receivables	22,132	23,499
Other receivables	<u>1,684</u>	<u>2,259</u>
Total gross accounts receivable	185,746	164,208
Less: Allowance for doubtful accounts receivable	<u>(1,802)</u>	<u>(2,740)</u>
Accounts receivable, net	<u>\$ 183,944</u>	<u>\$ 161,468</u>

For the years ended December 31, 2010 and 2009, "Vendor receivables" presented above included \$9.4 million and \$12.4 million, respectively, of unbilled receivables relating to vendor consideration, which are 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, 2010 and 2009. 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 \$1.3 million and \$1.6 million as of December 31, 2010 and 2009, 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, 2010 and 2009.

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%, 19% and 20% of our net sales in 2010, 2009 and 2008. Products manufactured by HP represented 20%, 19% and 19% of our net sales in 2010, 2009 and 2008.

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 \$5.4 million, \$8.5 million and \$8.9 million in the years ended December 31, 2010, 2009 and 2008, 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. As we circulate catalogs throughout the year, we also receive market development funds and other vendor consideration from vendors included in each catalog. These funds may be deferred, when warranted, and recognized based on sales generated over the life of the catalog. Deferred vendor consideration is included in "Accrued expenses and other current liabilities" in our Consolidated Balance Sheets. 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 \$4.6 million and \$2.5 million of unamortized internally developed software at December 31, 2010 and 2009, 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 review 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, 2010, 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 determined that the estimated fair value of our MME segment exceeded its net carrying value and as such, no impairment of goodwill and indefinite-lived intangible assets existed as of December 31, 2010.

For the year ended December 31, 2009, no impairment of goodwill and indefinite-lived intangible assets existed. For the year ended December 31, 2008, as a result of the global economic downturn and its effect on the results of each of our reporting units and as a result of our 2008 annual impairment analysis, which indicated that there would be no remaining implied value attributable to the goodwill of our Public Sector and MacMall reporting units, we determined that the goodwill and purchased intangible assets related to our Public Sector and the goodwill related to our MacMall segments were impaired. Therefore, we recorded an impairment charge totaling \$4.1 million, which represents the entire goodwill and purchased intangible asset amounts related to our Public Sector (\$2.7 million) and MacMall (\$1.4 million) segments, for the year ended December 31, 2008. The \$4.1 million of total impairment charge was included as part of "Special charges" on our Consolidated Statements of Operations for the year ended December 31, 2008.

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. Determining the fair value of a reporting unit requires the use of significant estimates and assumptions, including revenue growth rates and operating margins, discount rates and future market conditions, among others.

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, 2010 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, 2011 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, 2010, 2009 and 2008, 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.

Subsequent Events

In May 2009, the FASB issued ASC 855-10-05 (formerly SFAS No. 165, "Subsequent Events") which establishes accounting and disclosure requirements for subsequent events. ASC 855-10-05 sets forth the period after the balance sheet date during which we should evaluate events or transactions that occur for potential recognition or disclosure in our financial statements, the circumstances under which we should recognize events or transactions occurring after the balance sheet date in our financial statements and the required disclosures for such events or transactions. ASC 855-10-05 is effective for interim or annual financial periods ending after June 15, 2009, and as such, we adopted ASC 855-10-05 prospectively beginning in our quarterly period ended June 30, 2009. In February 2010, the FASB issued ASU 2010-09, "Subsequent Events (Topic 855) — Amendments to Certain Recognition and Disclosure Requirements." ASU 2010-09 removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. The amendment in the ASU was effective upon issuance (February 24, 2010). We have evaluated subsequent events pursuant to ASC 855-10-05.

Recent Accounting Pronouncements

In October 2009, the FASB issued ASU 2009-14, "Certain Arrangements That Contain Software Elements (Topic 985) — a consensus of the FASB Emerging Issues Task Force." ASU 2009-14 amends the scope of software revenue guidance in ASC Subtopic 985-605, "Software-Revenue Recognition," to exclude tangible products containing software and non-software components that function together to deliver the product's essential functionality. In October 2009, FASB also issued ASU 2009-13, "Multiple-Deliverable Revenue Arrangements (Topic 605) — a consensus of the FASB EITF." ASU 2009-13 eliminates the residual method of allocation and requires the relative selling price method when allocating arrangement consideration to all deliverables at the inception of the arrangement. ASU 2009-13 specifies that the best estimate of a selling price is consistent with that used to determine the price to sell the deliverable on a standalone basis. ASU 2009-14 and ASU 2009-13 are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, and must be adopted in the same period using the same transition method. If adoption is elected in a period other than the beginning of a fiscal year, the amendments in these standards must be applied retrospectively to the beginning of the fiscal year. Full retrospective application of these amendments to prior fiscal years is optional. We believe that the adoption of ASU 2009-14 and ASU 2009-13 will not have a significant impact on our consolidated financial statements.

In April 2008, the FASB issued ASC 350-30 (formerly FASB Staff Position FAS 142-3, "Determination of Useful Life of Intangible Assets"). ASC 350-30 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, "Goodwill and Other Intangible Assets" and also requires expanded disclosure related to the determination of intangible asset useful lives. ASC 350-30 intends to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R, and other GAAP. ASC 350-30 is effective for fiscal years beginning after December 15, 2008. We adopted ASC 350-30 on January 1, 2009 and it did not have a significant impact on our consolidated financial statements.

In March 2008, the FASB issued ASC 815-10 (formerly SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133"). ASC 815-10 requires entities to provide enhanced disclosures about (a) how and why an entity uses derivative instruments and the objectives for using derivative instruments in terms of underlying risk and accounting designation, (b) how derivative instruments and related hedged items are accounted for under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" and its related interpretations, including a tabular format disclosure of the fair values of derivative instruments and their gains and losses and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. ASC 815-10 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. ASC 815-10 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We adopted ASC 815-10 on January 1, 2009 and it did not have a significant impact on our consolidated financial statements.

In December 2007, the FASB issued ASC 805-20 (formerly SFAS No. 141 (revised 2007), "Business Combinations," which replaces SFAS 141). ASC 805-20 retains the fundamental requirements in SFAS 141 and establishes principles and requirements for (a) how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business, (b) how an acquirer recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (c) what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. ASC 805-20 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We adopted ASC 805-20 on January 1, 2009. We cannot anticipate whether the adoption of ASC 805-20 will have a material impact on our results of operations and financial condition as the impact will depend on the terms and nature of any business combination we enter into after January 1, 2009.

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.

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 the board for a total award of 22,500 shares and 12,000 shares of restricted stock in the years ended December 31, 2009 and 2008. 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.

At December 31, 2010, a total of 842,797 shares of authorized and unissued shares were available for future grants. All options granted through December 31, 2010 have been Nonstatutory Stock Options. We satisfy stock option exercises with newly issued shares.

Stock-Based Compensation

For the years ended December 31, 2010, 2009 and 2008, we recognized stock-based compensation expense of \$2.4 million, \$1.7 million and \$1.5 million in "Selling, general and administrative expenses" in our Consolidated Statements of Operations, and related deferred income tax benefits of \$0.9 million, \$0.8 million and \$0.6 million.

Valuation Assumptions

We estimated the grant date fair value of each stock option grant awarded during the years ended December 31, 2010, 2009 and 2008 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, 2010, 2009 and 2008, 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, 2010, 2009 and 2008. 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:

	<u>Years Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Risk free interest rate	2.51%	2.71%
Expected volatility	78%	77%
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, 2010 and stock options outstanding and exercisable at December 31, 2010 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, 2009	2,687,718	\$ 5.68		
Granted	768,000	4.76		
Exercised	(38,245)	3.49		
Forfeited	(72,503)	4.59		
Expired/cancelled	(5,360)	2.22		
Outstanding at December 31, 2010	3,339,610	\$ 5.81	6.62	\$ 7,428
Exercisable at December 31, 2010	1,995,048	\$ 5.81	5.32	\$ 4,624

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, 2010, which was \$7.57.

	Years Ended December 31,		
	2010	2009	2008
Weighted average grant-date fair value of options granted during the period	\$ 3.32	\$ 4.87	\$ 3.76
Total intrinsic value of options exercised during the period (in thousands)	95	805	1,030
Total fair value of shares vested during the period (in thousands)	2,290	1,603	1,399

Restricted Stock

The following table summarizes our restricted stock activity during the year ended December 31, 2010 for the above plans:

	Number	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2009	16,875	\$ 7.99
Granted	—	—
Vested	(16,875)	7.99
Forfeited	—	—
Non-vested at December 31, 2010	—	—

The grant date fair values of restricted stock awards which vested during 2010, 2009 and 2008 were \$134,831, \$125,224 and \$109,583.

As of December 31, 2010, there was \$4.4 million of unrecognized compensation cost related to unvested outstanding stock options and restricted stock. We expect to recognize these costs over a weighted average period of 3.05 years.

4. Acquisitions

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 the next two years, up to a total of approximately \$5.2 million. In accordance with ASC 805, based on an initial valuation of the fair value of the contingent consideration, we 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.

DSW

In December 2009, SARCOM, our wholly-owned subsidiary, acquired certain assets of Data Systems Worldwide, Inc. ("DSW") for a total purchase price of approximately \$1.5 million. DSW, a provider of converged Cisco solutions in the western United States, had approximately 20 employees as of December 15, 2009, the majority of which are service or sales personnel and each of these employees became employees of SARCOM. DSW's practice areas include managed and professional services and Cisco intelligent networks, facilities, data centers and security, with a focus on unified communications and connected real estate. The assets SARCOM recorded as a result of this purchase, based on a preliminary purchase price allocation, include certain fixed assets, customer relations, covenants not to compete and goodwill.

eCOST.com

On February 17, 2011, we acquired certain assets and assumed certain liabilities of eCOST.com. See Note 16 for more information.

5. Property and Equipment

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

	At December 31,	
	2010	2009
Computers, software, machinery and equipment	\$ 47,665	\$ 40,134
Leasehold improvements	6,224	5,450
Furniture and fixtures	3,249	3,027
Building and improvements	1,725	1,725
Land	912	912
Software development and other equipment in progress	3,949	5,493
Subtotal	63,724	56,741
Less: Accumulated depreciation and amortization	(41,873)	(39,650)
Property and equipment, net	<u>\$ 21,851</u>	<u>\$ 17,091</u>

Depreciation and amortization expense for property and equipment, including fixed assets under capital leases, for the years ended December 31, 2010, 2009 and 2008 totaled \$6.3 million, \$4.0 million and \$3.9 million.

6. Goodwill and Intangible Assets

Goodwill

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

	SMB	MME	Public Sector	MacMall	Corporate & Other	Consolidated
Balance at December 31, 2008	\$ —	\$ 18,781	\$ —	\$ —	\$ —	\$ 18,781
Acquisition of DSW	—	510	—	—	—	510
Balance at December 31, 2009	—	19,291	—	—	—	19,291
Acquisition of NSPI	—	6,219	—	—	—	6,219
Balance at December 31, 2010	<u>\$ —</u>	<u>\$ 25,510</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25,510</u>

Intangible Assets

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

	Weighted Average Estimated Useful Lives (years)	At December 31, 2010			At December 31, 2009		
		Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Patent, trademarks & URLs	11	\$ 5,925(1)	\$ 203	\$ 5,722	\$ 5,878(1)	\$ 557	\$ 5,321
Customer relationships	6	10,100	4,672	5,428	8,104	3,662	4,442
Non-compete agreements	4	1,168	569	599	918	327	591
Other	5	5	5	—	32	32	—
Total intangible assets		\$ 17,198	\$ 5,449	\$ 11,749	\$ 14,932	\$ 4,578	\$ 10,354

(1) Included in the total amount for "Patent, trademarks & URLs" at December 31, 2010 and 2009 are \$5.2 million of trademarks with indefinite useful lives acquired in the SARCOM acquisition that are not amortized.

Amortization expense for intangible assets was \$1.9 million, \$1.5 million and \$1.7 million in each of the years ended December 31, 2010, 2009 and 2008.

Estimated amortization expense for intangible assets in each of the next five years and thereafter, as applicable, is as follows: \$2.0 million in 2011, \$1.7 million in 2012, \$0.8 million in 2013, \$0.4 million in 2014, \$0.3 million in 2015 and \$1.3 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 0.75 to 1.0 for periods ending on or prior to September 30, 2011, increasing to 1.0 to 1.0 for twelve-month periods ending on or after December 31, 2011. At December 31, 2010, we did not have an FCCR triggering event.

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, 2010, we had \$50.3 million of net working capital advances outstanding under the line of credit. At December 31, 2010, the maximum credit line was \$160 million and we had \$96.7 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, 2010, we had \$2.87 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 2011 through 2017.

At December 31, 2010, our effective weighted average annual interest rate on outstanding amounts under the credit facility and term note was 2.57%.

At December 31, 2010, \$0.3 million and \$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" and "Notes payable and other long-term liabilities," respectively, on our Consolidated Balance Sheets. See "Other Planned Capital Projects" below for a detailed discussion.

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):

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current			
Federal	\$ 966	\$ (1,701)	\$ 3,290
State	583	246	736
Total — Current	<u>1,549</u>	<u>(1,455)</u>	<u>4,026</u>
Deferred			
Federal	2,846	3,998	1,633
State	238	146	32
Foreign	243	129	33
Total — Deferred	<u>3,327</u>	<u>4,273</u>	<u>1,698</u>
Total income tax expense	<u>\$ 4,876</u>	<u>\$ 2,818</u>	<u>\$ 5,724</u>

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:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expected taxes at federal statutory tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	4.1	3.6	3.1
Income from foreign subsidiary	—	5.6	—
Non-deductible business expenses	2.0	3.0	2.0
Other	<u>(1.0)</u>	<u>(0.6)</u>	<u>(1.8)</u>
Total	<u>39.1%</u>	<u>45.6%</u>	<u>37.3%</u>

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

	<u>2010</u>	<u>2009</u>
Deferred tax assets (liabilities):		
Accounts receivable	\$ 680	\$ 1,080
Inventories	194	182
Property and equipment	(2,879)	(603)
Amortization	(1,933)	(2,199)
Accrued expenses and reserves	2,828	2,012
Foreign employment tax subsidy	(1,533)	(1,345)
Tax credits and loss carryforwards	2,881	4,505
Other	96	23
Total deferred tax assets	<u>334</u>	<u>3,655</u>
Valuation allowance	<u>(237)</u>	<u>(165)</u>
Net total deferred tax assets	<u>\$ 97</u>	<u>\$ 3,490</u>

Current deferred tax liabilities relating to foreign employment tax subsidy of \$1.5 million and \$1.3 million at December 31, 2010 and 2009, respectively, as provided in the table above, were included as part of "Accrued expenses and other current liabilities" on our Consolidated Balance Sheets.

The exercise of stock options and warrants in 2010 and 2009 resulted in tax benefit of approximately \$34,000 and \$310,000, respectively, that have been reflected as a reduction of taxes payable and an increase to additional paid-in capital.

At December 31, 2010, we had state net operating loss carryforwards of \$23.3 million, which begin to expire at the end of 2013, and federal net operating loss carryforwards of \$5.3 million, which begin to expire at the end of 2024. All of the federal net operating loss carryforwards and \$2.8 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.

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

We adopted ASC 740 (formerly FIN 48) on January 1, 2007 as described above in Note 2. ASC 740 clarifies the accounting for uncertainty in tax positions by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We had no unrecognized tax benefits and no accrued interest or penalties recognized as of the date of our adoption of ASC 740. During the year ended December 31, 2010, there were no changes in our unrecognized tax benefits, and we had no accrued interest or penalties as of December 31, 2010.

We are subject to U.S. and foreign income tax examinations for years subsequent to 2006, and state income tax examinations for years following 2005. In addition, certain federal and state net operating loss carryforwards generated after 2002 and 1996, 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, 2010, minimum payments over the terms of applicable contracts were payable as follows (in thousands):

	2011	2012	2013	2014	2015	Thereafter	Total
Operating lease obligations	\$ 6,173	\$ 4,394	\$ 3,726	\$ 2,554	\$ 1,326	\$ 773	\$ 18,946
Capital lease obligations	870	737	711	231	—	—	2,549
Other commitments (a)	6,963	1,286	208	—	—	—	8,457
Standby Letters of Credit (b)	10,000	—	—	98	—	—	10,098
Earn-out (c)	1,421	1,779	—	—	—	—	3,200
Total minimum payments	\$ 25,427	\$ 8,196	\$ 4,645	\$ 2,883	\$ 1,326	\$ 773	\$ 43,250

- (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, 2010.
- (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 \$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 and the respective earn-out periods.

For the years ended December 31, 2010, 2009 and 2008, total rent expense, net of sublease income, totaled \$6.6 million, \$6.3 million and \$6.1 million. Some of the leases contain renewal options and escalation clauses, and require us to pay taxes, insurance and maintenance costs.

Effective January 1, 2011, AF Services, LLC, our wholly-owned subsidiary, entered into an amendment to the existing lease agreement, originally dated February 19, 2009, as amended, with SARCOM Properties, Inc., adding an additional 22,514 square feet of space to the existing 121,486 square feet of space utilized by PC Mall's wholly-owned subsidiary, SARCOM, Inc. See Note 16 for more detailed information.

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 \$7.1 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 \$4.0 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 are implementing the Cisco solution across all of our locations and expect that all of our locations will be upgraded by the first half of 2011.

Zekiya Whitmill and Lee Hanzy v. PC Mall Gov, Inc.

On July 6, 2007, Zekiya Whitmill and Lee Hanzy filed a purported class action lawsuit entitled Zekiya Whitmill and Lee Hanzy, individually and on behalf of others similarly situated, Plaintiffs, vs. PC Mall Gov, Inc., a Delaware corporation, and Does 1 through 200, inclusive, Defendants, Case No., BC373934 in the Superior Court of California, County of Los Angeles. The potential class consists of current and former account executives in California who worked for PC Mall Gov., Inc., one of our wholly-owned subsidiaries. The lawsuit alleges that PC Mall Gov. improperly classified members of the putative class as "exempt" employees and failed to provide putative class members with meal and rest breaks. The complaint in this action asserts the following three causes of action: (1) failure to pay wages, including overtime, in violation of California Labor Code sections 201 through 203, and section 1194(a); (2) failure to provide meal and rest periods in violation of California Labor Code section 226.7; and (3) violation of section 17200 of the California Business and Professions Code. The lawsuit seeks unpaid overtime, statutory penalties, interest, attorneys' fees, punitive damages, restitution and injunctive relief. While the case was originally filed in Los Angeles Superior Court, on September 26, 2007, the Superior Court ordered the action to arbitration and stayed all proceedings in superior court. The case was settled in July 2008 as described below.

Lee Hanzy v. PC Mall, Inc. dba MACMALL, et al.

On July 6, 2007, Lee Hanzy filed a purported class action lawsuit entitled Lee Hanzy, individually and on behalf of others similarly situated, Plaintiff, vs. PC Mall, Inc., a Delaware corporation dba MACMALL, and Does 1 through 200, inclusive, Defendants, Case No., BC373935 in the Superior Court of California, County of Los Angeles. The potential class consists of current and former account executives in California who worked for PC Mall, and in particular, the MacMall operating division of PC Mall. The lawsuit alleges that PC Mall improperly classified members of the putative class as "exempt" employees and failed to provide putative class members with meal and rest breaks. The Complaint in this action asserts the following three causes of action: (1) failure to pay wages, including overtime, in violation of California Labor Code sections 201 through 203, and section 1194(a); (2) failure to provide meal and rest periods in violation of California Labor Code section 226.7; and (3) violation of section 17200 of the California Business and Professions Code. The lawsuit seeks unpaid overtime, statutory penalties, interest, attorneys' fees, punitive damages, restitution and injunctive relief. While the case was originally filed in Los Angeles Superior Court, on August 30, 2007, the Superior Court ordered the action to arbitration and stayed all proceedings in superior court. The case was settled in July 2008 as described below.

On July 17, 2008, we entered into a settlement agreement to settle each of the above described Whitmill and Hanzy lawsuits in accordance with a memorandum of understanding (the "MOU") entered into on June 26, 2008. Under the MOU and the settlement agreement, we agreed to pay an aggregate of \$0.7 million, which includes amounts to pay class members (shared proportionally among class members based on the number of verified class members and the amount of weeks worked during the class period), the plaintiff's attorneys' fees and costs, enhanced payments for class representatives, and all funds needed for the administration of the settlement. We have the right to nullify the settlement in the event that 5% or more of the class members opted out of the settlement. In exchange for the settlement payment, the plaintiff and all class members who do not opt out of the settlement will release us and our affiliates for all asserted and unasserted claims, known and unknown, relating to the class action. As part of the settlement, we continue to deny any liability or wrongdoing with respect to the claims made in the class action.

On July 28, 2008, the arbitrator granted the parties joint application for preliminary approval of the settlement and ordered notices and claim forms to be distributed to all class members. On October 7, 2008, the arbitrator granted final approval of the class action settlement, the incentive awards to plaintiffs and the award of attorneys' fees and costs to class counsel. On October 8, 2008, the arbitrator also executed the proposed judgment dismissing the cases before JAMS with prejudice as against all class members.

On October 21 and 24, 2008, the Superior Court confirmed the arbitrator's award and entered judgments dismissing the respective actions with prejudice as against the plaintiffs and all class members. Based on the parties' settlement agreement, we distributed settlement funds to class members, class counsel and the plaintiffs in the fourth quarter of 2008 and the first quarter of 2009.

As a result of the settlement discussed above, during the second quarter of 2008, we recorded a charge of \$0.8 million, which includes the settlement amount and other costs related to the lawsuit, in "Special charges" on our Consolidated Statements of Operations for the year ended December 31, 2008.

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.

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 2010, 2009 and 2008, we repurchased a total of 200,084 shares, 582,779 shares and 741,631 shares of our common stock at an annual aggregate cost of \$0.9 million, \$2.6 million and 2.6 million, respectively. The repurchased shares were recorded as treasury stock. As of December 31, 2010 and 2009, we had total treasury shares of 1,941,172 and 1,741,088 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 1,395,000, 1,666,000 and 660,000 for the years ended December 31, 2010, 2009 and 2008 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):

	<u>Income</u>	<u>Shares</u>	<u>Per Share Amounts</u>
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
Year Ended December 31, 2008:			
Basic EPS			
Net income	\$ 9,603	13,268	\$ 0.72
Effect of dilutive securities			
Dilutive effect of stock options and warrants	—	593	
Diluted EPS			
Adjusted net income	\$ 9,603	13,861	\$ 0.69

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. On July 1, 2007, we began making 25% matching contributions for amounts that did 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 \$733,000 and \$406,000 in 2010 and 2009.

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

On March 2, 2010, our Compensation Committee approved and granted, under our 1994 Plan, the award 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 vests 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 18, 2010, our Compensation Committee approved and granted, under our 1994 Plan, the award 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 August 21, 2009, July 31, 2008 and on August 31, 2007, our Compensation Committee approved and granted, under our 1994 Plan, the award of 7,500 shares, 4,000 shares and 3,000 shares, respectively, of restricted stock to each of our non-employee members of our board for a total award of 22,500 shares, 12,000 shares and 9,000 shares of restricted stock in the years ended December 31, 2009, 2008 and 2007. The restricted stock awards each vest quarterly in equal amounts over a one year period from the date of grant.

In October 2004, we issued options to purchase 45,000 shares of our common stock under our 1994 Plan to an investor and public relations consultant. The options were issued at an exercise price of \$15.43 with a five-year term. Effective April 11, 2005, as a result of the spin-off of eCOST.com, the exercise price of the options was reduced to \$6.12 and the consultant received options to purchase 54,319 shares of eCOST.com common stock in the transaction. Of the original grant of options to purchase 45,000 shares, an aggregate of 7,500 shares of the options vested on the date of the grant, and the remaining shares vested quarterly over a one-year period from the date of grant. We valued the options at fair value based on a Black-Scholes fair value calculation. The options were valued at the date of grant and were measured at fair value at each subsequent reporting period, with changes in value recorded over the twelve month performance period of the option. The options became fully vested in October 2005. We recorded a cumulative compensation expense of \$0.4 million through the vesting period. The options were exercised in full in 2009.

In June 2003, we issued a warrant to purchase 30,000 shares of our common stock to a consulting firm for investor and public relations services. The warrant was issued at an exercise price of \$3.99 with a five-year term, which vested monthly over a one year period from the date of grant. Effective April 11, 2005, as a result of the spin-off of eCOST.com, the exercise price of the warrant was reduced to \$1.59, and the consulting firm received a warrant to purchase 36,213 shares of eCOST.com common stock in the transaction. We valued the warrant at fair value based on a Black-Scholes fair value calculation. The warrant was valued at the date of grant and was measured at fair value at each subsequent reporting period, with changes in value recorded over the twelve month performance period of the warrant. The warrant became fully vested in June 2004. We recorded a cumulative compensation expense of \$0.4 million through the vesting period. The warrant was exercised in full in the second quarter of 2008.

13. Comprehensive Income

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

	Year Ended December 31,		
	2010	2009	2008
Net income	\$ 7,573	\$ 3,357	\$ 9,603
Other comprehensive income (loss), before tax:			
Foreign currency translation adjustments	354	849	(933)
Income tax benefit (expense) related to other comprehensive income	—	—	1,202
Total comprehensive income	\$ 7,927	\$ 4,206	\$ 9,872

14. Segment Information

Our four operating segments, SMB, MME, Public Sector and MacMall, 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. A description of each of our new segments is provided below.

In the fourth quarter of 2009, we changed the name of our Consumer segment to MacMall. The MacMall segment includes sales made under our MacMall and Onsale brand names via telephone and the Internet to consumers, businesses and creative professionals. This was a name change only and does not affect the segment results reported in the current or prior periods.

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

	SMB	MME	Public Sector	MacMall	Corporate & Other	Consolidated
Year Ended December 31, 2010						
Net sales	\$ 487,865	\$ 493,733	\$ 187,331	\$ 199,534	\$ (149)	\$ 1,368,314
Gross profit	60,324	75,301	14,189	21,404	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	5,329	(46,150)	14,468
Year Ended December 31, 2009						
Net sales	\$ 368,846	\$ 382,725	\$ 173,957	\$ 212,531	\$ 2	\$ 1,138,061
Gross profit	47,259	65,182	18,300	22,095	180	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	3,191	(42,957)	7,742
Year Ended December 31, 2008						
Net sales	\$ 486,876	\$ 426,101	\$ 161,418	\$ 253,537	\$ 42	\$ 1,327,974
Gross profit	60,368	73,600	16,565	28,647	201	179,381
Depreciation and amortization expense (1)	65	2,654	261	114	2,512	5,606
Operating profit (loss)	29,514	18,379	2,200	7,540	(38,639)	18,994

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

As of December 31, 2010 and 2009, we had total consolidated assets of \$334.1 million and \$301.2 million. Our management does not have available to them and does not use total assets measured at the segment level in allocating resources. Therefore, such information relating to segment assets is not provided herein.

Sales of our products and services are made to customers primarily within the U.S. During the years ended December 31, 2010, 2009 and 2008, 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, 2010, 2009 and 2008.

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

Location:	At December 31,		
	2010	2009	2008
U.S.	\$ 20,848	\$ 16,235	\$ 10,854
Philippines	566	516	870
Canada	437	340	115
Property and equipment, net	<u>\$ 21,851</u>	<u>\$ 17,091</u>	<u>\$ 11,839</u>

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.

16. Subsequent Events

Effective January 1, 2011, AF Services, LLC, our wholly-owned subsidiary, entered into an amendment to the existing lease agreement, originally dated February 19, 2009, as amended, with SARCOM Properties, Inc., adding an additional 22,514 square feet of space to the existing 121,486 square feet of space utilized by PC Mall's wholly-owned subsidiary, SARCOM, Inc. The lease agreement for the additional 22,514 square feet of space requires an additional \$0.1 million of lease payment per year to be paid monthly. The 144,000 total square feet is used for office and warehouse/distribution space in Lewis Center, Ohio.

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.

In conjunction with this transaction, beginning with the first quarter of 2011, our management will consider the OnSale and eCOST businesses together as a separate segment and will report their results accordingly, including revising all historical segment financial information reported therein. As such, existing sales under the OnSale brand will no longer be reported under the MacMall segment. We expect the MacMall segment to remain primarily focused on targeting small businesses, creative professionals and high-end consumers, predominantly in the Apple and related-products market.

On March 11, 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 will be our new corporate headquarters. Our plan is to move into this building from our current headquarters located in Torrance, California in early fall of 2011 before the expiration of the Torrance lease. The total purchase price was \$9.5 million in cash. In addition to the purchase price of the property, we expect to make certain improvements on the property for an expected cost of up to \$4.5 million. In the near term, we expect to complete financing of the building and improvements through a variable interest rate loan committed to us by a commercial bank. Under the terms of a commitment letter to us from a commercial bank, the maximum amount of the committed loan is the lesser of \$12 million, 75% of the "as improved" value of the property, and 75% of our acquisition and improvement costs. The commitment for the loan provides for a five year term with 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. The loan will be secured by the real property, and will contain financial covenants substantially similar to those of our existing asset-based credit facility.

* * *

PC MALL, INC.

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

	2010			
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Net sales	\$ 289,854	\$ 316,983	\$ 336,099	\$ 425,378
Gross profit	38,029	40,555	43,240	49,741
Net income	173	1,363	2,120	3,917
Basic and diluted earnings per common share:				
Basic	\$ 0.01	\$ 0.11	\$ 0.17	\$ 0.33
Diluted	0.01	0.11	0.17	0.33
	2009			
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Net sales	\$ 259,300	\$ 261,412	\$ 280,349	\$ 337,000
Gross profit	37,495	35,837	39,184	40,500
Net income	1,011	815	1,448	83
Basic and diluted earnings per common share:				
Basic	\$ 0.08	\$ 0.07	\$ 0.12	\$ 0.01
Diluted	0.08	0.06	0.11	0.01

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, 2010.

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 2010 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, 2010. 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, 2010, our internal control over financial reporting was effective.

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 22, 2011, the Compensation Committee of our Board of Directors approved, effective March 27, 2011, increases to the base salary annual rates of pay for our executive officers and adopted new executive incentive bonus plans for our executive officers to be effective for the fiscal year ending December 31, 2011 in replacement of prior executive bonus plans, previously adopted on August 18, 2010 for fiscal year ending December 31, 2010. The base salary rate increases include an increase for Frank Khulusi, Brandon LaVerne, Kristin Rogers, Robert Newton and Joseph Hayek, respectively, from \$807,919, \$279,414, \$339,414, \$304,414 and \$255,194, to \$833,000, \$317,500, \$350,000, \$317,500 and \$263,000.

The new executive incentive bonus plans were adopted 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, 2009 filed with the Securities and Exchange Commission on April 30, 2010. 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 incentive bonus plan for the fiscal year ending December 31, 2011, the Committee considered a report from an independent third party compensation consultant, Towers Watson, together with other recent competitive market data.

The general executive incentive bonus plan covers the following executive officers, with applicable incentive targets under the plan indicated as a percentage of base salary for each as follows: Frank F. Khulusi, Chairman, President and Chief Executive Officer — 50% of base salary; Brandon H. LaVerne, Chief Financial Officer — 40% of base salary; Kristin M. Rogers, Executive Vice President of Sales and Marketing — 40% of base salary; and Joseph B. Hayek, Executive Vice President of Corporate Development and Investor Relations — 40% of base salary. Additionally, the Compensation Committee approved an increase to Mr. Newton's annual contractual bonus opportunity of \$120,000 to an annual bonus opportunity of \$127,000. Mr. Newton does not participate in the general executive incentive bonus 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.

The general plan will be funded at the above amounts if the company achieves 100% of a target of adjusted EBITDA for the 2011 calendar year, excluding the results of its new OnSale segment. Adjusted EBITDA is defined under the plan as earnings before interest, taxes, depreciation and amortization, and adjusted for stock-based compensation and non-recurring special charges, if any, to be excluded from the calculation of EBITDA in the discretion of the Compensation Committee.

The plan also has a minimum adjusted EBITDA for any 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 adjusted 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 adjusted 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 adjusted 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 130% 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%, with a maximum funding of 200% of the incentive bonus targets. 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. If the company achieves 130% or more of the performance target, the plan may be funded and incentive bonuses paid at 200% of the above described incentive bonus target amounts.

All amounts funded may be reduced at the sole discretion of the Compensation Committee based upon qualitative or quantitative factors. In addition to participation in the executive incentive bonus plan, as described above, all of our executive officers are eligible for discretionary bonuses as determined from time to time by our Compensation Committee.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our board of directors, audit committee, audit committee financial expert, code of business conduct and ethics, and 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 2011 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 2011 Annual Meeting of Stockholders and such information is incorporated herein by reference.

A list of our executive officers is included in Part I, Item 4A of this annual report under the caption "Executive Officers of the Registrant" 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 2011 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 2011 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 2011 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 2011 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:

	<u>Page Number</u>
<u>(1) Financial Statements</u>	See Part II, Item 8, beginning on page 54
<u>(2) Financial Statement Schedule II - Valuation and Qualifying Accounts for the Years Ended December 31, 2010, 2009 and 2008</u>	See Part IV, Item 15, beginning on page 83
<u>(3) Exhibits</u>	See Part IV, Item 15, beginning on page 84

PC MALL, INC.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2010, 2009 and 2008
(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, 2010	\$ 2,740	\$ 1,358	\$ (2,296)(a)	\$ 1,802
December 31, 2009	4,241	2,088	(3,589)(a)	2,740
December 31, 2008	4,653	3,338	(3,750)(a)	4,241
Reserve for inventory for the years ended:				
December 31, 2010	\$ 1,571	\$ 94	\$ (352)(b)	\$ 1,313
December 31, 2009	1,713	642	(784)(b)	1,571
December 31, 2008	1,680	1,045	(1,012)(b)	1,713
Sales returns reserve for the years ended:				
December 31, 2010	\$ 1,690	\$ 19,334	\$ (19,455)(c)	\$ 1,569
December 31, 2009	1,653	20,637	(20,600)(c)	1,690
December 31, 2008	2,078	21,940	(22,365)(c)	1,653
Valuation allowance for deferred tax assets for the years ended:				
December 31, 2010	\$ 165	\$ 176(d)	\$ (104)(d)	\$ 237
December 31, 2009	179	115(d)	(129)(d)	165
December 31, 2008	214	—	(35)(d)	179

- (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)
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- 10.31 First Amendment to Agreement for Purchase and Sale of Real Estate and Joint Escrow Instructions, dated as of February 7, 2011
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- 10.33 Lease Agreement, Executed By and Between SARCOM Properties, Inc. and AF Services, LLC, effective January 1, 2010 (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 26, 2010)
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- 32.1 Certification of the Chief Executive Officer of PC Mall, Inc. pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002
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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.

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 25, 2011

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ FRANK F. KHULUSI</u> Frank F. Khulusi	Chairman, Chief Executive Officer and President (Principal Executive Officer)	March 25, 2011
<u>/s/ BRANDON H. LAVERNE</u> Brandon H. LaVerne	Chief Financial Officer, Chief Accounting Officer and Treasurer (Principal Financial and Accounting Officer)	March 25, 2011
<u>/s/ THOMAS A. MALOOF</u> Thomas A. Maloof	Director	March 25, 2011
<u>/s/ RONALD B. RECK</u> Ronald B. Reck	Director	March 25, 2011
<u>/s/ PAUL C. HEESCHEN</u> Paul C. Heeschen	Director	March 25, 2011

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)
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* Management contract, or compensatory plan or arrangement.
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*** 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 AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

by and among

THE FINANCIAL INSTITUTIONS NAMED HEREIN

as Lenders,

WELLS FARGO CAPITAL FINANCE, LLC

as Administrative Agent and Co-Lead Arranger

MERRILL LYNCH, PIERCE, FENNER AND SMITH INCORPORATED

(successor by merger to Banc of America Securities LLC), as Co-Lead Arranger and Co-Bookrunner

BANK OF AMERICA, N.A.

as Syndication Agent

and

**PC MALL, INC.
PC MALL SALES, INC.
AF SERVICES, LLC
PC MALL GOV, INC.
ONSALE, INC.
AV ACQUISITION, INC.
MALL ACQUISITION 3, INC.
MALL ACQUISITION SUB 4 INC.
MALL ACQUISITION SUB 5 INC.
PC MALL SERVICES, INC.
OSRP, LLC
and
SARCOM, INC.**

as Borrowers

Dated: As of December 14, 2010

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SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This Second Amended and Restated Loan and Security Agreement (this "Agreement"), dated as of December 14, 2010, is entered into by and among the financial institutions from time to time parties hereto, whether by execution of an Assignment and Acceptance Agreement (as defined below) or this Agreement (each a "Lender" and collectively "Lenders"), WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as successor by merger to Wachovia Capital Finance Corporation (Western), as administrative and collateral agent for the Lenders (in such capacity "Agent") and Co-Lead Arranger, MERRILL LYNCH, PIERCE, FENNER AND SMITH INCORPORATED (successor by merger to Banc of America Securities LLC, "ML") as Co-Lead Arranger and Co-Bookrunner, BANK OF AMERICA, N.A., as Syndication Agent ("BofA"), and PC MALL, INC., a Delaware corporation formerly known as Idea Mall, Inc. ("PC Mall"), PC MALL SALES, INC., a California corporation formerly known as Creative Computers, Inc. ("PC Mall Sales"), AF SERVICES, LLC, a Delaware limited liability company, as successor by merger to AF Services, Inc. ("AF Services"), PC MALL GOV, INC., a Delaware corporation ("PCMG"), ONSALE, INC., a Delaware corporation ("Onsale"), AV ACQUISITION, INC., a Delaware corporation ("AV Acquisition"), MALL ACQUISITION 3, INC., a Delaware corporation ("Acquisition 3"), MALL ACQUISITION SUB 4 INC., a Delaware corporation ("Acquisition 4"), MALL ACQUISITION SUB 5 INC., a Delaware corporation ("Acquisition 5"), PC MALL SERVICES, INC., a Delaware corporation ("Mall Marketing"), OSRP, LLC, a Delaware limited liability company ("OSRP") and SARCOM, INC., a Delaware corporation ("Sarcom"), jointly and severally as co-borrowers (each a "Borrower" and collectively "Borrowers").

W I T N E S S E T H:

WHEREAS, Agent, the Lenders party thereto, and certain of the Borrowers previously have entered into that certain Amended and Restated Loan and Security Agreement dated August 1, 2005 (as amended, restated, supplemented or otherwise modified from time to time, the "Original Loan Agreement"); and

WHEREAS, the parties hereto have agreed to amend and restate in their entirety the agreements contained in the Original Loan Agreement as amongst themselves; and

WHEREAS, as affiliated companies under the common ownership of PC Mall, the financial success of each Borrower is largely dependant on the financial success of the other Borrowers. Although certain of the Borrowers operate separate and distinct core businesses in designated geographical areas, administrative and other service functions are performed for all of the Borrowers under the auspices of AF Services and all of the Borrowers are providing technology-related goods and services for the ultimate benefit of PC Mall and its shareholders. It would be extremely impractical and unfeasible for each Borrower to report separately its Eligible Accounts and Eligible Inventory and to receive separately the proceeds of advances based upon such Borrower's Eligible Accounts and Eligible Inventory alone. Borrowers have therefore requested that Agent and Lenders make funds available to all Borrowers based upon all of their Eligible Accounts and Eligible Inventory. All advances and credit accommodations will thereby

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benefit all of the Borrowers by providing an available source of credit for all of the Borrowers, as needed, to fund their working capital needs; and

WHEREAS, each Lender is willing to agree (severally and not jointly) to make such loans and provide such financial accommodations to Borrowers on a pro rata basis according to its Commitment (as defined below) on the terms and conditions set forth herein and Agent is willing to act as administrative and collateral agent for Lenders on the terms and conditions set forth herein and in the other Financing Agreements (as defined below); and

WHEREAS, each Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Original Loan Agreement, as amended and restated hereby, and the other Financing Agreements effective as of the date hereof;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS.

All terms used herein which are defined in Article 1 or Article 9 of the California Uniform Commercial Code shall have the respective meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Agent, Lenders and Borrowers pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 11.3. Any accounting term used herein unless otherwise defined in this Agreement shall have the meaning customarily given to such term in accordance with GAAP. For purposes of this Agreement, the following terms shall have the respective meanings given to them below.

1.1 "Accounts" shall mean all present and future rights of Borrowers to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

1.2 "Adjusted Eurodollar Rate" shall mean, with respect to each Interest Period for any Eurodollar Rate Loan, the rate per annum (rounded upwards, if necessary, to the next one-one hundredth (1/100) of one percent (1%)) determined by dividing (a) the Eurodollar Rate for such Interest Period by (b) a percentage equal to: (i) one (1) minus (ii) the Reserve Percentage. For purposes hereof, "Reserve Percentage" shall mean the reserve percentage, expressed as a decimal, prescribed by any United States or foreign banking authority for determining the reserve requirement which is or would be applicable to deposits of United States dollars in a non-United States or an international banking office of Reference Bank used to fund a Eurodollar Rate Loan or any Eurodollar Rate Loan made with the proceeds of such deposit, whether or not

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the Reference Bank actually holds or has made any such deposits or loans. The Adjusted Eurodollar Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

1.3 "Affected Lender" shall have the meaning set forth in Section 3.9 hereof.

1.4 "Affiliate" shall mean, with respect to a specific Person, another Person that controls or is controlled by or is under common control with, such Person. For purposes of this definition, "control" means the possession, directly or indirectly through one or more intermediaries, of the power to direct the management and policies of a Person, whether through the ownership of Stock, by contract or otherwise; provided, however, that for purposes of the definition of Eligible Accounts and Section 9.12: (a) any Person which owns directly or indirectly 10% or more of the Stock having ordinary voting power for the election of directors or other members of the governing body of a Person or 10% or more of the partnership or other ownership interests of a Person (other than as a limited partner of such Person) shall be deemed an Affiliate of such Person, (b) each director (or comparable manager) of a Person shall be deemed to be an Affiliate of such Person, and (c) each partnership in which a Person is a general partner shall be deemed an Affiliate of such Person.

1.5 "Apple Computer" shall mean Apple Inc. (formerly known as Apple Computer Inc.), a California corporation.

1.6 "Apple Intercreditor Agreement" shall mean that certain Amended and Restated Intercreditor and Release Agreement dated as of November 24, 2010 between Apple Computer and Agent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced from time to time.

1.7 "Applicable Ratio" shall mean the required Fixed Charge Coverage Ratio with respect to a particular testing period as set forth in the grid in Section 9.15.

1.8 "Appraised Liquidation Value" shall mean, with respect to Eligible Inventory, the appraised value of such Eligible Inventory, expressed as a percentage of the Value thereof, as determined by Agent as of any date on an "orderly liquidation existing channel" basis, net of all estimated liquidation expenses, shrinkage and markdowns, pursuant to an appraisal conducted, at Borrowers' expense, by an independent appraisal firm acceptable to Agent or, in the absence of such appraisal, such value as otherwise determined by Agent in its sole discretion.

1.9 "Approved Increase" shall have the meaning set forth in Section 2.5(a) hereof.

1.10 "Assignment and Acceptance" shall mean an Assignment and Acceptance substantially in the form of Exhibit A attached hereto delivered to Agent in connection with an assignment of a Lender's interest hereunder in accordance with the provisions of Section 13.5 hereof.

1.11 "Availability Reserves" shall mean, as of any date of determination, such amounts as Agent may from time to time establish and revise in its commercially reasonable discretion reducing the amount of Revolving Loans and Letter of Credit Accommodations which would otherwise be available to Borrowers under the lending formula(s) provided for herein: (a) to

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

1.12 "Available Increase Amount" shall mean, as of any date of determination, an amount equal to the result of (a) \$20,000,000 minus (b) the aggregate principal amount of increases to the Maximum Credit previously made pursuant to Section 2.5 hereof.

1.13 "Average 30 Day Excess Availability" shall mean, for any date of determination, the average of the amount of Excess Availability as of the end of each day during the immediately preceding thirty (30) day period ending on and including such date of determination.

1.14 "Bank Product Provider" shall mean any Lender or any of its Affiliates; provided, however, that no such Person shall constitute a Bank Product Provider with respect to a Bank Product unless and until Agent shall have received a Bank Product Provider Letter Agreement from such Person and with respect to the applicable Bank Product within 10 days after the provision of such Bank Product to the applicable Borrower.

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1.15 "Bank Product Provider Letter Agreement" shall mean a letter agreement in form and substance satisfactory to Borrowers and Agent, duly executed by the applicable Bank Product Provider, Borrowers, and Agent.

1.16 "Bank Products" shall mean any one or more of the following types or services or facilities provided to a Borrower by a Bank Product Provider: (a) credit cards or stored value cards, (b) cash management or related services, including (i) the automated clearinghouse transfer of funds for the account of a Borrower pursuant to agreement or overdraft for any accounts of Borrowers maintained at any Bank Product Provider and (ii) controlled disbursement services or (c) Hedge Agreements if and to the extent permitted hereunder.

1.17 "Blocked Account" shall have the meaning set forth in Section 6.3 hereof.

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

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

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

(b) [Reserved];

(c) [Reserved];

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

(e) the book value of any asset owned by such person prior to or during such period to the extent that such book value is included as a capital expenditure during such period as a result of such person reusing or beginning to reuse such asset during such period without a corresponding expenditure actually having been made in such period; provided that (i) any

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expenditure necessary in order to permit such asset to be reused shall be included as a Capital Expenditure during the period that such expenditure actually is made and (ii) such book value shall have been included in Capital Expenditures when such asset was originally acquired;

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

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

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

(i) the financed purchase price, together with any acquisition costs, property improvements and amounts attributable to such purchase money financing, of real estate acquisitions and investments made during such period and permitted under this Agreement, including the committed financed portion of the purchase price for the properties listed on Schedule 9.10; provided, however that the (i) financing for the purchase of the property in El Segundo, CA be committed within 180 days following the closing date of the purchase of such property and (ii) the financing for the purchase of each of the Irvine, California and Roswell, Georgia properties be committed within 90 days following the closing date of each such property.

1.20 "Code" shall mean the Internal Revenue Code of 1986, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

1.21 "Collateral" shall have the meaning set forth in Section 5 hereof.

1.22 "Commitment" shall mean, as to any Lender, the Revolving Loan Commitment of such Lender, the Term Loan Commitment of such Lender, or the combined Revolving Loan Commitment and Term Loan Commitment of such Lender, as the context requires.

1.23 "Compliance Certificate" shall mean a certificate, in form and substance satisfactory to Agent, by which Borrowers certify compliance with **Section 9.15**.

1.24 "Credit Card Issuer" shall mean any person who issues or whose members issue credit cards used by customers of any Borrower to purchase goods, including, without limitation, MasterCard or VISA bank credit or debit cards or other bank credit or debit cards, and American Express, Discover, Diners Club, Carte Blanche, and other non-bank credit or debit cards.

1.25 "Credit Card/Check Processor" shall mean any servicing or processing agent or any factor or financial intermediary who facilities, services, processes, collects, guarantees or manages the credit authorization, billing transfer and/or payment from a Credit Card Issuer or on

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a check and other procedures with respect to any sales transactions of any Borrower involving credit card, debit card or check purchases by customers.

1.26 "Credit Card/Check Processing Receivables" shall mean all Accounts consisting of the present and future rights of any Borrower to payment by Credit Card Issuers or Credit Card/Check Processors for merchandise sold and delivered to customers of such Borrower who have purchased such goods using a credit card, debit card or check.

1.27 "Defaulting Lender" shall have the meaning set forth in Section 6.10(d) hereof.

1.28 "EBITDA" means, with respect to any fiscal period, the result of (in each case, determined on a consolidated basis in accordance with GAAP):

- (a) Borrowers' and their subsidiaries consolidated net earnings (or loss), *minus*
- (b) to the extent included in the calculation of Borrowers' and their subsidiaries consolidated net earnings (or loss), the sum of: (i) extraordinary gains, (ii) non-cash gains on account of sales of assets, and (iii) interest income, *plus*
- (c) to the extent deducted in the calculation of Borrowers' and their subsidiaries consolidated net earnings (or loss), the sum of: (i) non-cash losses including without limitation the writeoff of goodwill and other intangible assets, (ii) non-cash losses on account of sales of assets, (iii) non-cash stock based compensation expense, (iv) interest expense, (v) income taxes, and (vi) depreciation and amortization for such period.

1.29 "Eligible Accounts" shall mean Accounts created by Borrowers which are and continue to be acceptable to Agent based on the criteria set forth below. In general, Accounts shall be Eligible Accounts if:

- (a) such Accounts arise from the actual and bona fide sale and delivery of goods by Borrowers or rendition of services by Borrowers in the ordinary course of their business which transactions are completed in accordance with the terms and provisions contained in any documents related thereto;
- (b) in the case of Credit Card/Check Processing Receivables, such Accounts are not unpaid more than five (5) days after the date of the original invoice for them, and in the case of all other Accounts, such Accounts are not unpaid more than one hundred twenty (120) (or, on a case-by-case basis in Agent's sole discretion for Accounts not to exceed \$10,000,000 in the aggregate, one hundred eighty (180)) days after the date of the original invoice for them and are not unpaid more than sixty (60) days after the original due date for them;
- (c) such Accounts comply with the terms and conditions contained in Section 7.2(d) of this Agreement, and in the case of Credit Card/Check Processing Receivables, Agent shall have received a direction letter duly executed and delivered by the Credit Card Issuer or Credit Card/Check Processor with respect thereto in form and substance reasonably satisfactory to Agent;

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(d) such Accounts do not arise from sales on consignment, guaranteed sale, sale and return, sale on approval, or other terms under which payment by the account debtor may be conditional or contingent (except for returns made in the ordinary course of business and in accordance with Borrowers' present practices);

(e) the chief executive office of the account debtor with respect to such Accounts is located in the United States of America or Canada, or, at Agent's option, if the chief executive office of the account debtor with respect to such Accounts is located other than in the United States of America or Canada, then if either: (i) the account debtor has delivered to Borrowers an irrevocable letter of credit issued or confirmed by a bank satisfactory to Agent and payable only in the United States of America and in U.S. dollars, sufficient to cover such Account, in form and substance satisfactory to Agent and, if required by Agent, the original of such letter of credit has been delivered to Agent or Agent's agent and the issuer thereof notified of the assignment of the proceeds of such letter of credit to Agent, or (ii) such Account is subject to credit insurance payable to Agent issued by an insurer and on terms and in an amount acceptable to Agent, or (iii) such Account is otherwise acceptable in all respects to Agent (subject to such lending formula with respect thereto as Agent may determine);

(f) such Accounts do not consist of progress billings (such that the obligation of the account debtors with respect to such Accounts is conditioned upon a Borrower's satisfactory completion of any further performance under the agreement giving rise thereto), bill and hold invoices or retainage invoices, except as to bill and hold invoices, if Agent shall have received an agreement in writing from the account debtor, in form and substance satisfactory to Agent, confirming the unconditional obligation of the account debtor to take the goods related thereto and pay such invoice;

(g) the account debtor with respect to such Accounts has not asserted a counterclaim, defense or dispute and does not have, and does not engage in transactions which may give rise to, any right of setoff against such Accounts (but the portion of the Accounts of such account debtor in excess of the amount at any time and from time to time owed by any Borrower to such account debtor or claimed owed by such account debtor may be deemed Eligible Accounts);

(h) there are no facts, events or occurrences which would impair the validity, enforceability or collectability of such Accounts (other than the collectability of such Accounts by Agent by virtue of the Federal Assignment of Claims Act of 1940, as amended or any similar state or local law, if applicable), or reduce the amount payable or delay payment thereunder;

(i) such Accounts are subject to the first priority, valid and perfected security interest of Agent and any goods giving rise thereto are not, and were not at the time of the sale thereof, subject to any liens except those permitted in this Agreement;

(j) neither the account debtor nor any officer or employee of the account debtor with respect to such Accounts is an officer, employee or agent of or affiliated with any Borrower directly or indirectly by virtue of family membership, ownership, control, management or otherwise;

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- (k) there are no proceedings or actions which are threatened or pending against the account debtors with respect to such Accounts which might result in any material adverse change in any such account debtor's financial condition;
- (l) such Accounts of a single account debtor or its affiliates do not constitute more than fifteen percent (15%) of all otherwise Eligible Accounts (but the portion of the Accounts not in excess of such percentage may be deemed Eligible Accounts);
- (m) such Accounts are not owed by an account debtor for which more than 50% of the Accounts owing from such account debtor are ineligible pursuant to clause (b) above.
- (n) such Accounts are not owed by consumers (other than Credit Card/Check Processing Receivables);
- (o) [Intentionally Omitted];
- (p) if a bankruptcy petition is filed by or against any Borrower, and without limiting Agent's or any Lender's rights and remedies upon such filing, such Accounts are not generated from the sale of Inventory subject to the security interest of IBM Credit Corporation;
- (q) such Accounts are owed by account debtors deemed creditworthy at all times by Agent, as determined by Agent in its commercially reasonable discretion; and
- (r) to the extent such Accounts are owed by the United States of America, any State, political subdivision, agency or instrumentality thereof, with respect to which Borrowers have not fully complied with the Federal Assignment of Claims Act of 1940, as amended, or any similar state or local law, if applicable, such Accounts: (i) do not constitute more than forty percent (40%) of all otherwise Eligible Accounts (but the portion of such Accounts not in excess of such percentage may be deemed Eligible Accounts); (ii) are reported separately from all other Accounts on the applicable borrowing base certificate delivered by Borrowers to Agent; and (iii) do not relate to any single contract (other than GSA Schedule, the Social Security Administration, NASA SEWP 3, NASA SEWP 4, NIH ECS-3, Library of Congress and any future contracts entered into by PCMG that may be similar in scope, duration, and have similar terms and conditions as such foregoing contracts) where the consideration to be paid to Borrowers under such contract is greater than \$2,500,000 and the term or duration of such contract is greater than one (1) year, unless Borrowers have given Agent separate written notice of such contract (it being understood that Agent, in its sole discretion, may require Borrowers to comply with the Federal Assignment of Claims Act of 1940, as amended, or any similar state or local law, with respect to any such contract which Borrowers are required to give Agent notice of).

Any Accounts which are not Eligible Accounts shall nevertheless be part of the Collateral.

1.30 "Eligible Inventory" shall mean Inventory consisting of finished goods held for resale in the ordinary course of the business of Borrowers which are located at Borrowers' warehouse location(s) or retail store(s) and which are acceptable to Agent in its Permitted Discretion based on the criteria set forth below. In general, Eligible Inventory shall not include (a) raw materials or work-in-process; (b) components which are not part of finished goods; (c)

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spare parts for equipment (it being understood that parts held for sale in their then current condition shall not be deemed spare parts for these purposes); (d) packaging and shipping materials; (e) supplies and fixed assets used or consumed in Borrowers' business; (f) Inventory at premises other than those owned or controlled by Borrowers, except if Agent shall have received an agreement in writing from the person in possession of such Inventory in form and substance satisfactory to Agent acknowledging Agent's priority security interest in the Inventory, waiving security interests and claims by such person against the Inventory and permitting Agent access to, and the right to remain on, the premises so as to exercise Agent's rights and remedies and otherwise deal with the Collateral; (g) Inventory in transit, unless such Inventory is (A) provided by Apple Computer and not subject to the reclamation rights of Apple Computer under Section 2.2(a) of the Apple Intercreditor Agreement or (B) in transit to one of Borrowers' retail stores or warehouse locations under a Letter of Credit Accommodation hereunder, and the bill of lading covering such Inventory names Agent as consignee and otherwise contains terms acceptable to Agent, and all originals of such bill of lading are in the possession of Agent, Reference Bank or another bailee acceptable to Agent; (h) Inventory subject to a security interest or lien in favor of any person other than Agent except those permitted in this Agreement; (i) bill and hold goods; (j) unserviceable or obsolete Inventory; (k) Inventory which is not subject to the valid and perfected security interest of Agent, for itself and the ratable benefit of Secured Parties; (l) returned (except for closed box returns), damaged and/or defective Inventory; (m) Inventory purchased or sold on consignment; (n) Inventory located at service centers; (o) software, books, magazines, manuals, videos and similar Inventory; (p) Inventory purchased under a Letter of Credit Accommodation that is outstanding as contemplated in Section 2.2(c)(i) hereof, and (q) Inventory subject to the perfected security interest of IBM Credit Corporation or Hewlett-Packard Company. Any Inventory which is not Eligible Inventory shall nevertheless be part of the Collateral.

1.31 "Eligible Transferee" shall mean (a) any affiliate of Lender; (b) any other commercial bank or other financial institution and (c) any "accredited investor" (as defined in Regulation D under the Securities Act of 1933) approved by Agent, and except as otherwise provided in Section 13.5 hereof, as to any such other commercial bank or other financial institution or any such accredited investor, as approved by Borrowers, such approval of Borrowers not to be unreasonably withheld, conditioned or delayed and such approval to be deemed given by Borrowers if no objection from Borrowers is received within ten (10) Business Days after written notice of such proposed assignment has been provided by Agent; provided, that, neither any Borrower nor any affiliate of any Borrower shall qualify as an Eligible Transferee.

1.32 "Environmental Laws" shall mean all foreign, Federal, State and local laws (including common law), legislation, rules, codes, licenses, permits (including any conditions imposed therein), authorizations, judicial or administrative decisions, injunctions or agreements between any Borrower and any Governmental Authority, (a) relating to pollution and the protection, preservation or restoration of the environment (including air, water vapor, surface water, ground water, drinking water, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource), or to human health or safety, (b) relating to the exposure to, or the use, storage, recycling, treatment, generation, manufacture, processing, distribution, transportation, handling, labeling, production, release or disposal, or threatened release, of Hazardous Materials, or (c) relating to all laws with regard to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Materials. The term

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"Environmental Laws" includes (i) the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Federal Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Water Act, the Federal Clean Air Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, and the Federal Safe Drinking Water Act of 1974, (ii) applicable state counterparts to such laws, and (iii) any common law or equitable doctrine that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of or exposure to any Hazardous Materials.

1.33 "Equipment" shall mean all of Borrowers' now owned and hereafter acquired equipment, machinery, computers and computer hardware and software (whether owned or licensed), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

1.34 "ERISA" shall mean the United States Employee Retirement Income Security Act of 1974, as the same now exists or may hereafter from time to time be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

1.35 "ERISA Affiliate" shall mean any person required to be aggregated with any Borrower or any of its affiliates under Sections 414(b), 414(c), 414(m) or 414(o) of the Code.

1.36 "Eurodollar Rate" shall mean the rate per annum rate appearing on Bloomberg L.P.'s (the "Service") Page BBAM1/ (Official BBA USD Dollar Libor Fixings) (or on any successor or substitute page of such Service, or any successor to or substitute for such Service) 2 Business Days prior to the commencement of the requested Interest Period, for a term and in an amount comparable to the Interest Period and the amount of the Eurodollar Rate Loan requested (whether as an initial Eurodollar Rate Loan or as a continuation of a Eurodollar Rate Loan or as a conversion of a Eurodollar Rate Loan to a Prime Rate Loan) by Borrowers in accordance with the Agreement, which determination shall be conclusive in the absence of manifest error. In the event that such rate is not available at such time for any reason, then the "Eurodollar Rate" shall mean the interest rate per annum equal to the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the next one-hundredth (1/100) of one percent (1%)) at which Reference Bank is offered deposits of United States dollars in the London interbank market (or other Eurodollar Rate market selected by Borrowers and approved by Agent) on or about 9:00 a.m. (New York time) two (2) Business Days prior to the commencement of such Interest Period in amounts substantially equal to the principal amount of the Eurodollar Rate Loans requested by and available to Borrowers in accordance with this Agreement, with a maturity of comparable duration to the Interest Period selected by Borrowers

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

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1.38 "Eurodollar Rate Margin" shall mean, on a monthly basis, the percentage points set forth below based on the "average daily amount" of Excess Availability, as determined by Agent, during the immediately preceding calendar month:

<u>Pricing Level</u>	<u>Average Excess Availability</u>	<u>Eurodollar Rate Margin</u>
I	Less than \$20,000,000	2.25%
II	Greater than or equal to \$20,000,000	2.00%

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

1.39 "Event of Default" shall mean the occurrence or existence of any event or condition described in Section 10.1 hereof.

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

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

(b) the amount of all then outstanding and unpaid Obligations (but not including for this purpose the then outstanding principal amount of the Term Loan).

provided, however, that: solely for the purposes of determining (A) the Prime Rate Margin and the Eurodollar Rate Margin, to the extent the amount set forth in clause (a)(i) above exceeds the amount set forth in clause (a)(ii) above at any time, the Excess Availability as of

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such time shall be increased by up to Ten Million Dollars (\$10,000,000) of the difference between those two (2) amounts; and (B) whether a FCCR Triggering Event has occurred (other than under clause (d) of the definition thereof), to the extent the amount set forth in clause (a)(i) above exceeds the amount set forth in clause (a)(ii) above at any time, the Excess Availability as of such time shall be increased by the difference between those two (2) amounts.

1.41 "Excess Availability Threshold" shall mean, as of any date of determination, an amount equal to (a) \$13,000,000 if the Maximum Credit is less than or equal to \$150,000,000 on such date of determination; (b) \$14,000,000 if the Maximum Credit is greater than \$150,000,000 but less than or equal to \$165,000,000 as of such date of determination; and (c) \$15,000,000 if the Maximum Credit is greater than \$165,000,000 as of such date of determination.

1.42 "Excluded Taxes" means, with respect to a Lender or any other recipient of any payment to be made by or on account of any Obligation, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which a Borrower is located.

1.43 "FCCR Triggering Event" shall mean, as of any date of determination, that (a) if the Maximum Credit is less than or equal to \$150,000,000 on such date of determination, either (i) Excess Availability is less than \$5,000,000 (or \$10,000,000 to the extent the Applicable Ratio for the Subject Quarter relating to such date of determination as set forth in Section 9.15 equals 0.75 to 1.0) as of such date, or (ii) Average 30 Day Excess Availability is less than \$13,000,000 as of such date; (b) if the Maximum Credit is greater than \$150,000,000 but less than or equal to \$165,000,000 as of such date of determination, either (i) Excess Availability is less than \$5,500,000 (or \$11,000,000 to the extent the Applicable Ratio for the Subject Quarter relating to such date of determination as set forth in Section 9.15 equals 0.75 to 1.0) as of such date, or (ii) Average 30 Day Excess Availability is less than \$14,000,000 as of such date; (c) if the Maximum Credit is greater than \$165,000,000 as of such date of determination, either (i) Excess Availability is less than \$6,000,000 (or \$12,000,000 to the extent the Applicable Ratio for the Subject Quarter relating to such date of determination as set forth in Section 9.15 equals 0.75 to 1.0) as of such date, or (ii) Average 30 Day Excess Availability is less than \$15,000,000 as of such date; and (d) regardless of the amount of the Maximum Credit, Excess Availability (without giving effect to the proviso contained in the definition thereof) is less than \$5,000,000 for a period of five consecutive days ending on such date of determination.

1.44 "Fee Letter" shall mean that certain fee letter, dated as of the date hereof, among Borrowers and Agent, in form and substance satisfactory to Agent.

1.45 "Final Maturity Date" shall mean March 31, 2015.

1.46 "Financing Agreements" shall mean, collectively, this Agreement, the Fee Letter, and all notes, guarantees, security agreements and other agreements, documents and instruments (including the Information Certificates) now or at any time hereafter executed and/or delivered by any Borrower or any Obligor in connection with this Agreement, as the same now exist or

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may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced; provided, that in no event shall the term Financing Agreements' be deemed to include any Hedge Agreement.

1.47 "Fixed Charges" shall mean, with respect to any fiscal period and with respect to Borrowers and their subsidiaries determined on a consolidated basis in accordance with GAAP, the sum, without duplication, of (a) Interest Expense accrued (other than interest paid-in-kind, amortization of financing fees, and other non-cash Interest Expense) during such period, (b) principal payments in respect of indebtedness that are required to be paid during such period, and (c) all federal, state, and local income taxes accrued during such period.

1.48 "Fixed Charge Coverage Ratio" means, with respect to any fiscal period and with respect to Borrowers and their subsidiaries determined on a consolidated basis in accordance with GAAP, the ratio of (i) EBITDA for such period *minus* Capital Expenditures made (to the extent not already incurred in a prior period) or incurred during such period, to (ii) Fixed Charges for such period.

1.49 "GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Boards which are applicable to the circumstances as of the date of determination consistently applied, except that, for purposes of Section 9.15 hereof, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the audited financial statements delivered to Agent prior to the date hereof.

1.50 "Governmental Authority" means any federal, state, local or other governmental or administrative body, instrumentality, board, department or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

1.51 "Hazardous Materials" shall mean any hazardous, toxic or dangerous substances, materials and wastes, including, without limitation, hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including, without limitation, materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including, without limitation any that are or become classified as hazardous or toxic under any Environmental Law).

1.52 "Hedge Agreement" shall mean an agreement between any Borrower and Agent or any Bank Product Provider that is a swap agreement as such term is defined in 11 U.S.C. Section 101, and including any rate swap agreement, basis swap, forward rate agreement, commodity swap, interest rate option, forward foreign exchange agreement, spot foreign exchange agreement, rate cap agreement rate, floor agreement, rate collar agreement, currency

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swap agreement, cross-currency rate swap agreement, currency option, any other similar agreement (including any option to enter into any of the foregoing or a master agreement for any the foregoing together with all supplements thereto) for the purpose of protecting against or managing exposure to fluctuations in interest or exchange rates, currency valuations or commodity prices; sometimes being collectively referred to herein as Hedge Agreements'.

1.53 "Increase Effective Date" shall have the meaning set forth in Section 2.5(a) hereof.

1.54 "Increase Joinder" shall have the meaning set forth in Section 2.5(c) hereof.

1.55 "Information Certificates" shall mean the Information Certificates of Borrowers containing material information with respect to Borrowers, their business and assets provided by or on behalf of Borrowers to Agent in connection with the preparation of this Agreement and the other Financing Agreements and the financing arrangements provided for herein.

1.56 "Interest Expense" means, for any period, the aggregate of the interest expense of Borrowers and their subsidiaries for such period (including all commissions, discounts, and other fees and charges owed with respect to letters of credit and bankers' acceptances financing and net costs under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP), determined on a consolidated basis in accordance with GAAP.

1.57 "Interest Period" shall mean for any Eurodollar Rate Loan, a period of approximately one, two, three or six months (or with the consent of each Lender, nine or twelve months) duration as Borrowers may elect, the exact duration to be determined in accordance with the customary practice in the applicable Eurodollar Rate market; provided, that, Borrowers may not elect an Interest Period which will end after the last day of the then-current term of this Agreement.

1.58 "Inventory" shall mean all of Borrowers' now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

1.59 "Inventory Advance Rates" shall mean the advance rates applicable to Eligible Inventory as determined in accordance with Section 2.1(a)(ii)(A).

1.60 "Inventory Sublimit" shall mean an amount equal to Forty Million Dollars (\$40,000,000); provided, however, that if the Maximum Credit is increased to One Hundred Eighty Million Dollars (\$180,000,000) or more in accordance with the terms hereof, the Inventory Sublimit shall automatically increase to an amount equal to Fifty Million Dollars (\$50,000,000).

1.61 "Letter of Credit Accommodations" shall mean the letters of credit, merchandise purchase or other guaranties which are from time to time either (a) issued, opened or provided by Agent or any Lender for the account of any Borrower or any Obligor or (b) with respect to which Agent on behalf of Lenders has agreed to indemnify the issuer or guaranteed to the issuer the performance by any Borrower of its obligations to such issuer.

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1.62 "Loans" shall mean the Revolving Loans and the Term Loan.

1.63 "Maximum Credit" shall mean, with reference to the Revolving Loans, the Term Loans and the Letter of Credit Accommodations, the amount of One Hundred Sixty Million Dollars (\$160,000,000), as such amount may be increased in accordance with Section 2.5 hereof.

1.64 "Net Amount of Eligible Accounts" shall mean the gross amount of Eligible Accounts less returns, discounts, claims, credits and allowances of any nature at any time issued, owing, granted, outstanding, available or claimed with respect thereto.

1.65 "New Lending Office" shall have the meaning set forth in Section 6.5(e) hereof.

1.66 "Non-U.S. Lender" shall have the meaning set forth in Section 6.5(e) hereof.

1.67 "Obligations" shall mean (a) any and all Loans, Letter of Credit Accommodations and all other obligations, liabilities and indebtedness of every kind, nature and description owing by any or all of Borrowers to Agent or any Lender or any issuer of a Letter of Credit Accommodation, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Agreement or any of the other Financing Agreements or on account of any Letter of Credit Accommodations, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any case with respect to such Borrower under the United States Bankruptcy Code or any similar statute (including the payment of interest and other amounts which would accrue and become due but for the commencement of such case, whether or not such amounts are allowed or allowable in whole or in part in such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, or secured or unsecured and (b) for purposes only of Section 5.1 hereof and subject to the priority in right of payment set forth in Section 6.4 hereof, all obligations, liabilities and indebtedness of every kind, nature and description owing by any or all of Borrowers to Agent or any Bank Product Provider arising under or pursuant to any Bank Products, whether now existing or hereafter arising, provided, that, (i) the applicable Bank Product must have been provided on or after the date hereof and Agent shall have received a Bank Product Provider Letter Agreement within 10 days after the date of the provision of the applicable Bank Product to the applicable Borrower and (ii) in no event shall any Bank Product Provider acting in such capacity to whom such obligations, liabilities or indebtedness are owing be deemed a Lender for purposes hereof to the extent of and as to such obligations, liabilities or indebtedness except that each reference to the term "Lender" in Sections 12.1, 12.2, 12.3(b), 12.6, 12.7, 12.9, 12.12 and 13.6 hereof shall be deemed to include such Bank Product Provider and in no event shall the approval of any such person in its capacity as Bank Product Provider be required in connection with the release or termination of any security interest or lien of Agent.

1.68 "Obligor" shall mean any guarantor, endorser, acceptor, surety or other person liable on or with respect to the Obligations or who is the owner of any property which is security for the Obligations, other than Borrowers.

1.69 "Original Loan Agreement" shall have the meaning set forth in the recitals hereto.

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1.70 "Other Taxes" shall mean any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any of the other Financing Agreements.

1.71 "Participant" shall mean any person which at any time participates with any Lender in respect of the Loans, the Letter of Credit Accommodations or other Obligations or any portion thereof.

1.72 "Payment Account" shall have the meaning set forth in Section 6.3 hereof.

1.73 "Permitted Discretion" means a determination made in the exercise of reasonable (from the perspective of a secured lender) business judgment.

1.74 "Person" or "person" shall mean any individual, sole proprietorship, partnership, corporation (including, without limitation, any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), limited liability company, limited liability partnership, business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

1.75 "Prime Rate" shall mean the greater of (i) the rate from time to time publicly announced by Reference Bank, or its successors, from time to time as its prime rate, whether or not such announced rate is the best rate available at such bank and (ii) the one-month Eurodollar Rate.

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

1.77 "Prime Rate Margin" shall mean, on a monthly basis, the percentage points set forth below based on the "average daily amount" of Excess Availability, as determined by Agent, during the immediately preceding calendar month:

<u>Pricing Level</u>	<u>Average Excess Availability</u>	<u>Prime Rate Margin</u>
I	Less than \$20,000,000	0.50%
II	Greater than or equal to \$20,000,000	0.25%

; provided, however, that (i) from the date hereof until the end of the sixth full calendar month ending after the date hereof, the Prime Rate Margin shall be the percentage points

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specified for Pricing Level I as set forth in this definition; (ii) after the occurrence and during the continuance of an Event of Default, the Prime Rate Margin shall be the percentage points specified for Pricing Level I as set forth in this definition; and (iii) if any borrowing base certificate delivered to Agent is subsequently determined to be incorrect in any material respect, Agent may increase the Prime Rate Margin retroactively to the beginning of the relevant month to the extent that such error caused the Prime Rate Margin to be different from the Prime Rate Margin that would have been in effect if the error was not made.

1.78 "Pro Rata Share" shall mean:

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

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

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

1.79 "Projections" means Borrowers' forecasted (a) balance sheets, (b) profit and loss statements, and (c) cash flow statements, all prepared on a basis consistent with Borrowers' historical financial statements, together with appropriate supporting details and a statement of underlying assumptions.

1.80 "PTCE 95-60" shall have the meaning set forth in Section 13.5(a) hereof.

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1.81 "Real Estate" shall mean the real estate owned by Onsale and commonly known as 1505 Wilshire Boulevard, Santa Monica, California.

1.82 "Records" shall mean all of Borrowers' present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of Borrowers with respect to the foregoing maintained with or by any other person).

1.83 "Reference Bank" shall mean Wells Fargo Bank, N.A. or its successor or such other bank as Agent and Borrowers may from time to time designate.

1.84 "Register" shall have the meaning set forth in Section 13.5(b) hereof.

1.85 "Replacement Lender" shall have the meaning set forth in Section 3.9 hereof.

1.86 "Report" and "Reports" shall have the meaning set forth in Section 12.10(a) hereof.

1.87 "Required Lenders" shall mean (i) at any time there is more than one Lender, two or more Lenders whose Pro Rata Shares (calculated under clause (c) of the definition of Pro Rata Share) aggregate sixty-six and two-thirds (66 2/3%) percent or more and (ii) at any time there is only one Lender, such Lender.

1.88 "Revolving Loan Commitment" shall mean, at any time, as to each Revolving Loan Lender, the principal amount set forth below such Lender's signature on the signature pages hereto designated as the Revolving Loan Commitment or on Schedule 1 to the Assignment and Acceptance pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 13.5 hereof, as the same may be adjusted from time to time in accordance with the terms hereof; sometimes being collectively referred to herein as "Revolving Loan Commitments." Notwithstanding the foregoing, as of any date of determination, each Lender's Revolving Loan Commitment shall be reduced by the then outstanding amount of such Lender's Term Loans.

1.89 "Revolving Loan Lenders" shall mean, collectively, those Lenders making Revolving Loans or providing Letter of Credit Accommodations and their respective successors and assigns; sometimes being referred to herein individually as a "Revolving Loan Lender."

1.90 "Revolving Loans" shall mean the loans now or hereafter made by or on behalf of any Revolving Loan Lender or by Agent for the ratable account of any Revolving Loan Lender, to or for the benefit of Borrowers on a revolving basis (involving advances, repayments and readvances) as set forth in Section 2.1 hereof.

1.91 "Secured Parties" shall mean, collectively, (a) Agent, (b) BofA, (c) the issuer of any Letter of Credit Accommodations, (d) Lenders, and (e) Bank Product Providers (to the extent approved by Agent).

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1.92 "Settlement Period" shall have the meaning set forth in Section 6.10(b) hereof.

1.93 "Slow Moving Inventory" shall mean Inventory held by Borrowers for more than one hundred twenty (120) days.

1.94 "Special Agent Advances" shall have the meaning set forth in Section 12.11(a) hereof.

1.95 "Stock" means all shares, options, warrants, interests, participations, or other equivalents (regardless of how designated) of or in a Person, whether voting or nonvoting, including common stock, preferred stock, or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

1.96 "Subject Quarter" shall have the meaning set forth in Section 9.15 hereof.

1.97 "Taxes" shall mean any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of any Lender, such taxes (including income taxes, franchise taxes or capital taxes) as are imposed on or measured by such Lender's net income or capital by any jurisdiction (or any political subdivision thereof).

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

1.99 "Term Loan Lenders" shall mean, collectively, those Lenders who have made the Term Loans, and their respective successors and assigns; sometimes being referred to herein individually as a "Term Loan Lender."

1.100 "Term Loans" shall have the meaning set forth in Section 2.3 hereof; sometimes being referred to herein individually as a "Term Loan."

1.101 "Term Notes" shall mean, collectively, those certain Term Promissory Notes, of even date herewith, issued by Borrowers to each Term Loan Lender, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.102 "Transferee" shall have the meaning set forth in Section 6.5(a) hereof.

1.103 "UCC" shall mean the Uniform Commercial Code as in effect in the State of California, and any successor statute, as in effect from time to time (except that terms used herein which are defined in the Uniform Commercial Code as in effect in the State of California on the date hereof shall continue to have the same meaning notwithstanding any replacement or amendment of such statute except as Lender may otherwise determine).

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1.104 "Value" shall mean, as determined by Agent in good faith, with respect to Inventory, the lower of (a) cost under the first-in-first-out method, net of vendor discounts or (b) market value.

SECTION 2. CREDIT FACILITIES.

2.1 Revolving Loans.

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

(i) ninety percent (90%) of the Net Amount of Eligible Accounts, provided, that, such percentage advance rate shall be reduced by the positive difference, rounded to the nearest tenth of a percent, between (I) the dilution rate on the Accounts, as determined by Agent in good faith based on the ratio of (A) the aggregate amount of reductions in Accounts other than as a result of payments in cash, to (B) the aggregate amount of total sales, and (II) three and one-half of one percent (3.5%), and provided further, that, the total sum available under this Section 2.1(a)(i) based upon Credit Card/Check Processing Receivables shall not exceed Ten Million Dollars (\$10,000,000) at any time; and provided further that, if Borrowers provide reports on such Credit Card/Check Processing Receivables under Section 7.1 on a daily basis, the total sum under this Section 2.1(a)(i) based upon Credit Card/Check Processing Receivables shall not exceed Twenty Million Dollars (\$20,000,000) at any time; plus

(ii) the lesser of:

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

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sum available hereunder based upon such in-transit Eligible Inventory shall not exceed Ten Million Dollars (\$10,000,000); or

(B) the Inventory Sublimit, minus

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

(iv) any Availability Reserves.

(b) Agent may, in its commercially reasonable discretion, from time to time, upon not less than ten (10) days prior notice to Borrowers reduce the lending formula(s) with respect to Eligible Inventory to the extent that Agent determines that:

(i) the number of days of the turnover, or the mix, of such Inventory for any period has changed in any materially adverse respect; or

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

(c) Except in Agent's discretion, with the consent of all Lenders, the aggregate amount of the Loans, the Letter of Credit Accommodations and other Obligations outstanding at any time shall not exceed the Maximum Credit. In the event that the outstanding amount of any component of the Loans and Letter of Credit Accommodations, or the aggregate amount of the outstanding Loans and Letter of Credit Accommodations and other Obligations, exceeds the amounts available under the lending formulas set forth in Section 2.1(a) hereof, the sublimits for Letter of Credit Accommodations set forth in Section 2.2(d) or the Maximum Credit, as applicable, such event shall not limit, waive or otherwise affect any rights of Agent or any Lender in that circumstance or on any future occasions and Borrowers shall, upon demand by Agent, which may be made at any time or from time to time, immediately repay to Agent, for the ratable benefit of Lenders, the entire amount of any such excess(es) for which payment is demanded.

(d) For purposes only of applying the sublimit on Revolving Loans based on Eligible Inventory pursuant to Section 2.1(a)(ii)(B) Agent may treat the then undrawn amounts of outstanding Letter of Credit Accommodations for the purpose of purchasing Eligible Inventory as Revolving Loans to the extent Agent is in effect basing the issuance of the Letter of Credit Accommodations on the Value of the Eligible Inventory being purchased with such Letter of Credit Accommodations. In determining the actual amounts of such Letter of Credit Accommodations to be so treated for purposes of the sublimit, the outstanding Revolving Loans and Availability Reserves shall be attributed first to any components of the lending formulas in Section 2.1(a) that are not subject to such sublimit, before being attributed to the components of the lending formulas subject to such sublimit.

2.2 Letter of Credit Accommodations.

(a) Subject to, and upon the terms and conditions contained herein, at the request of Borrowers, Agent agrees, for the ratable risk of each Revolving Loan Lender according to its Pro Rata Share, to provide or arrange for Letter of Credit Accommodations for the account of Borrowers containing terms and conditions acceptable to Agent and the issuer thereof. Any payments made by Agent or any Lender to any issuer thereof and/or related parties in connection with the Letter of Credit Accommodations shall constitute additional Revolving Loans to Borrowers pursuant to this Section 2.

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

(c) No Letter of Credit Accommodations shall be available unless on the date of the proposed issuance of any Letter of Credit Accommodations, the Revolving Loans available to Borrowers (subject to the Maximum Credit and any Availability Reserves) are equal to or greater than:

(i) if the proposed Letter of Credit Accommodation is for the purpose of purchasing Eligible Inventory, the sum of:

(A) the product of the Value or Appraised Liquidation Value of such Eligible Inventory multiplied by one minus the Inventory Advance Rate under Section 2.1(a)(ii)(A) as applicable, plus

(B) freight, taxes, duty and other amounts which Lender estimates must be paid in connection with such Inventory upon arrival and for delivery to one of Borrowers' locations for Eligible Inventory within the United States of America; and

(ii) if the proposed Letter of Credit Accommodation is for standby letters of credit guaranteeing the purchase of Eligible Inventory or for any other purpose, an amount equal to one hundred percent (100%) of the face amount thereof and all other commitments and obligations made or incurred by Lender with respect thereto.

Effective on the issuance of each Letter of Credit Accommodation, the amount of Revolving Loans which might otherwise be available to Borrowers shall be reduced by the applicable amount set forth in this Section 2.2(c).

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(d) An Availability Reserve shall be established in the amount set forth in Section 2.2(c)(i) upon the placement of the order for the purchase of the subject Inventory. Effective upon the issuance of each Letter of Credit Accommodation for a purpose other than the purchase of Inventory, an Availability Reserve shall be established in the amount set forth in Section 2.2(c)(ii).

(e) Except in Agent's discretion, with the consent of all Lenders, the amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Agent or any Lender in connection therewith shall not at any time exceed Forty Million Dollars (\$40,000,000). At any time an Event of Default exists or has occurred and is continuing, upon Agent's request, Borrowers will either furnish cash collateral to secure the reimbursement obligations to the issuer in connection with any Letter of Credit Accommodations or furnish cash collateral to Agent for the Letter of Credit Accommodations, and in either case, the Revolving Loans otherwise available to Borrowers shall not be reduced as provided in Section 2.2(c) to the extent of such cash collateral.

(f) Each Borrower shall indemnify and hold Agent and Lenders harmless from and against any and all losses, claims, damages, liabilities, costs and expenses which Agent or any Lender may suffer or incur in connection with any Letter of Credit Accommodations and any documents, drafts or acceptances relating thereto (excluding any of the foregoing to the extent arising from the gross negligence or willful misconduct of Agent or any Lender), including, but not limited to, any losses, claims, damages, liabilities, costs and expenses due to any action taken by any issuer or correspondent with respect to any Letter of Credit Accommodation. Each Borrower assumes all risks with respect to the acts or omissions of the drawer under or beneficiary of any Letter of Credit Accommodation and for such purposes the drawer or beneficiary shall be deemed such Borrower's agent. Each Borrower assumes all risks for, and agree to pay, all foreign, Federal, State and local taxes, duties and levies relating to any goods subject to any Letter of Credit Accommodations or any documents, drafts or acceptances thereunder. Each Borrower hereby releases and holds Agent and each Lender harmless from and against any acts, waivers, errors, delays or omissions, whether caused by such Borrower, by any issuer or correspondent or otherwise, unless caused by the gross negligence or willful misconduct of Agent or such Lender, with respect to or relating to any Letter of Credit Accommodation. The provisions of this Section 2.2(f) shall survive the payment of Obligations and the termination or non-renewal of this Agreement.

(g) Nothing contained herein shall be deemed or construed to grant Borrowers any right or authority to pledge the credit of Agent or any Lender in any manner. Neither Agent nor any Lender shall have any liability of any kind with respect to any Letter of Credit Accommodation provided by an issuer other than Agent or any Lender, unless Agent has duly executed and delivered to such issuer the application or a guarantee or indemnification in writing with respect to such Letter of Credit Accommodation. Each Borrower shall be bound by any interpretation made in good faith by Agent, or any other issuer or correspondent under or in connection with any Letter of Credit Accommodation or any documents, drafts or acceptances thereunder, notwithstanding that such interpretation may be inconsistent with any instructions of such Borrower. At any time an Event of Default exists or has occurred and is continuing, Agent shall have the sole and exclusive right and authority to, and no Borrower shall, without the prior written consent of Agent: (i) approve or resolve any questions of non-compliance of documents,

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(ii) give any instructions as to acceptance or rejection of any documents or goods or (iii) execute any and all applications for steamship or airway guaranties, indemnities or delivery orders, and at all times, (iv) grant any extensions of the maturity of, time of payment for, or time of presentation of, any drafts, acceptances, or documents, and (v) agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications, Letter of Credit Accommodations, or documents, drafts or acceptances thereunder or any letters of credit included in the Collateral. Agent may take such actions either in its own name or in any Borrower's name.

(h) Any rights, remedies, duties or obligations granted or undertaken by any Borrower to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement in favor of any issuer or correspondent relating to any Letter of Credit Accommodation, shall be deemed to have been granted or undertaken by such Borrower to Agent for the ratable benefit of Lenders. Any duties or obligations undertaken by Agent or any Lender to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement by Agent or any Lender in favor of any issuer or correspondent relating to any Letter of Credit Accommodation, shall be deemed to have been undertaken by Borrowers to Agent and Lenders and to apply in all respects to Borrowers.

2.3 Term Loan.

(a) On the date hereof, Borrowers shall repay the outstanding principal balance of the term loans under the Original Loan Agreement so that after giving effect to such repayment, the outstanding principal balance thereof equals \$2,870,000. Immediately after such repayment (which shall be made by Borrowers on the date hereof automatically using proceeds of Revolving Loans), and upon the effectiveness of this Agreement, each Term Loan Lender severally (and not jointly) shall have been deemed to make a term loan to Borrowers (each a "Term Loan" and collectively the "Term Loans") in an amount equal to such Term Loan Lender's Pro Rata Share of \$2,870,000. The Term Loans shall be (a) evidenced by the Term Notes, (b) repaid with interest in accordance with this Agreement, the Term Notes and other Financing Agreements (including amortization of principal over eighty-four (84) months as more specifically set forth in such Term Notes), and (c) secured by all of the Collateral.

(b) In the event that the outstanding principal balance of the Term Loans ever exceeds seventy percent (70%) of the "Fair Market Value" of the Real Estate as set forth in any appraisal of the Real Estate received by Agent, upon demand by Agent, Borrowers shall promptly (but in any event, with 3 Business Days of such demand) prepay the Term Loans in an amount equal to such excess.

(c) Notwithstanding anything to the contrary contained herein, the Real Estate may be sold or refinanced and Agent shall release its liens against the Real Estate in connection with the sale or refinance thereof, provided, that, (i) no Default or Event of Default has occurred and is continuing at the time of such sale or refinance, or would result therefrom and (ii) at least \$2,870,000 of the net proceeds of the sale or refinance are remitted to Agent for application first to any principal outstanding on the Term Loans and any accrued but unpaid interest thereon. Upon any refinance of the Real Estate in accordance with the foregoing, any indebtedness

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secured solely by the Real Estate and any lien against the Real Estate securing such indebtedness will be permitted for the purposes of Sections 9.8 and 9.9 hereof.

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

2.5 Increase in Maximum Credit.

(a) From time to time the Maximum Credit may be increased (each increase that satisfies the terms and conditions of this Section, an "Approved Increase") by an amount not in excess of the Available Increase Amount at the option of Borrowers by delivery of a written notice from Borrowers of a proposed increase to Agent if and only if (i) each of the conditions precedent set forth in Section 4.2 are satisfied as of the Increase Effective Date (as if Borrowers were requesting an extension of credit hereunder), (ii) Lenders or other Persons commit to increase or provide Commitments in an aggregate amount equal to the Approved Increase in accordance with Section 2.5(c), and (iii) Borrowers shall have (A) reached agreement with the prospective new Lenders (the "Prospective Lenders") with respect to the amount of any supplemental closing fee to be paid to such Prospective Lenders on the Increase Effective Date and shall have communicated the amount of such supplemental closing fee to Agent (which closing fee shall not exceed 0.65%), and (B) paid any fees described in clause (A) above to Agent for the account of the Prospective Lenders and Agent, as applicable. Each such notice shall specify the date on which the proposed increase is to be effective (the "Increase Effective Date"), which date shall not be less than 10 Business Days after the date of such notice. Each proposed increase shall be in an amount of at least \$5,000,000 and integral multiples of \$5,000,000 in excess thereof.

(b) So long as each of the requirements set forth in Section 2.2(a) are satisfied, the increased Maximum Credit with respect to an Approved Increase shall become effective, as of such Increase Effective Date.

(c) Agent shall invite each Lender to increase its Commitment (it being understood that no Lender shall be obligated to increase its Commitment) and, if sufficient Lenders do not agree to increases in their Commitments in an aggregate amount equal to the Approved Increase, may invite any other Person who is reasonably satisfactory to Agent and Borrowers to become a Lender in connection with an Approved Increase by executing a joinder agreement, in form and substance reasonably satisfactory to Agent, to which such Person, Borrowers, and Agent are party (the "Increase Joinder"). Such Increase Joinder or any other joinder agreement reasonably acceptable to the Borrowers and Agent in connection with any Approved Increase may, with the consent of Borrowers and Agent (but without the consent of the Required Lenders or any other Lender other than Prospective Lenders and any existing Lender participating in the applicable Approved Increase), effect such amendments to this Agreement and the other Financing Agreements as may be necessary or appropriate, in the

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opinion of Agent, to effectuate the provisions of this Section 2.5; provided, however, that any amendment to cure any ambiguity, defect, or inconsistency as may be necessary or appropriate, in the opinion of Agent shall require only the consent of Borrowers and Agent.

(d) To the extent any Revolving Loans, Term Loans, or Letter of Credit Accommodations are outstanding on the Increase Effective Date, each of the Lenders having a Commitment prior to the Increase Effective Date (the "Pre-Increase Revolver Lenders") shall assign to any Lender which is acquiring a new or additional Commitment on the Increase Effective Date (the "Post-Increase Revolver Lenders"), and such Post-Increase Revolver Lenders shall purchase from each Pre-Increase Revolver Lender, at the principal amount thereof, such interests in the Revolving Loans, Term Loans and participation interests in Letter of Credit Accommodations on such Increase Effective Date as shall be necessary in order that, after giving effect to all such assignments and purchases, such Revolving Loans, Term Loans, and participation interests in Letter of Credit Accommodations will be held by Pre-Increase Revolver Lenders and Post-Increase Revolver Lenders ratably in accordance with their Pro Rata Share (calculated under clause (c) of the definition of Pro Rata Share) after giving effect to such increased Commitments.

(e) Borrowers shall take any actions reasonably required by Agent to ensure and demonstrate that the liens granted by the Financing Agreements continue to be perfected under the UCC or otherwise after giving effect to the increase in the Maximum Credit and the establishment of any such new Commitments.

SECTION 3. INTEREST AND FEES.

3.1 Interest.

(a) Except as provided in Sections 3.1(b), (c), (d) and (e) below, Borrowers shall pay to Agent, for the benefit of Lenders, interest on the outstanding principal amount of the non-contingent Obligations at the Prime Rate plus the applicable Prime Rate Margin.

(b) Borrowers may from time to time request that Prime Rate Loans be converted to Eurodollar Rate Loans or that any existing Eurodollar Rate Loans continue for an additional Interest Period. Such request from Borrowers shall specify the amount of the Prime Rate Loans which will constitute Eurodollar Rate Loans (subject to the limits set forth below) and the Interest Period to be applicable to such Eurodollar Rate Loans. Subject to the terms and conditions contained herein, three (3) Business Days after receipt by Agent of such a request from Borrowers, such Prime Rate Loans shall be converted to Eurodollar Rate Loans or such Eurodollar Rate Loans shall continue, as the case may be, provided, that, (i) no Event of Default, or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred and is continuing, (ii) no party hereto shall have sent any notice of termination or non-renewal of this Agreement, (iii) Borrowers shall have complied with such customary procedures as are established by Agent and specified by Agent to Borrowers from time to time for requests by Borrowers for Eurodollar Rate Loans, (iv) no more than eight (8) Interest Periods may be in effect at any time, (v) the aggregate amount of the Eurodollar Rate Loans must be in an amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, and (vi) each Lender shall have determined that the Interest Period or Adjusted Eurodollar Rate is available to

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such Lender and can be readily determined as of the date of the request for such Eurodollar Rate Loan by Borrowers. Any request by Borrowers to convert Prime Rate Loans to Eurodollar Rate Loans or to continue any existing Eurodollar Rate Loans shall be irrevocable. Notwithstanding anything to the contrary contained herein, Agent, Lenders and Reference Bank shall not be required to purchase United States Dollar deposits in the London interbank market or other applicable Eurodollar Rate market to fund any Eurodollar Rate Loans, but the provisions hereof shall be deemed to apply as if Agent, Lenders and Reference Bank had purchased such deposits to fund the Eurodollar Rate Loans.

(c) Any Eurodollar Rate Loans shall automatically convert to Prime Rate Loans upon the last day of the applicable Interest Period, unless Agent has received and approved a request to continue such Eurodollar Rate Loan at least three (3) Business Days prior to such last day in accordance with the terms hereof. Any Eurodollar Rate Loans shall, at Agent's option, upon notice by Agent to Borrowers, convert to Prime Rate Loans in the event that (i) an Event of Default or event which, with the notice or passage of time, or both, would constitute an Event of Default, shall exist, (ii) this Agreement shall terminate or not be renewed, or (iii) the aggregate principal amount of the Prime Rate Loans which have previously been converted to Eurodollar Rate Loans or existing Eurodollar Rate Loans continued, as the case may be, at the beginning of an Interest Period shall at any time during such Interest Period exceed either (A) the aggregate principal amount of the Loans then outstanding, or (B) the sum of the Revolving Loans then available to Borrowers under Section 2 hereof. Borrowers shall pay to Agent, for the benefit of Lenders, upon demand by Agent (or Agent may, at its option, charge any loan account of Borrowers) any amounts required to compensate any Lender, the Reference Bank or any Participant with any Lender for any loss (including loss of anticipated profits), cost or expense incurred by such person, as a result of the conversion of Eurodollar Rate Loans to Prime Rate Loans pursuant to any of the foregoing.

(d) Except as provided in Section 3.1(e) below, Borrowers shall pay to Agent, for the benefit of Lenders, interest on the outstanding principal amount of the Eurodollar Rate Loans at a per annum rate equal to the Adjusted Eurodollar Rate (based on the Eurodollar Rate applicable for the Interest Period selected by Borrowers as in effect three (3) Business Days after the date of receipt by Agent of the request of Borrowers for such Eurodollar Rate Loans in accordance with the terms hereof, whether such rate is higher or lower than any rate previously quoted to Borrowers) plus the applicable Eurodollar Rate Margin.

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

(f) Interest shall be payable by Borrowers to Agent, for the benefit of Lenders, monthly in arrears not later than the first day of each calendar month and shall be

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calculated on the basis of a three hundred sixty (360) day year and actual days elapsed. The interest rate on non-contingent Obligations (other than Eurodollar Rate Loans) shall increase or decrease by an amount equal to each increase or decrease in the Prime Rate effective on the day any change in such Prime Rate is announced.

3.2 Fee Letter. Borrowers shall pay to Agent, for the account of Agent, as and when due and payable under the terms of the Fee Letter, the fees set forth in the Fee Letter.

3.3 Closing Fee. Borrowers shall pay to Agent, for the benefit of Lenders in accordance with their Pro Rata Shares (calculated under clause (c) of the definition of Pro Rata Share), a closing fee in an amount equal to One Million Sixty Six Thousand Six Hundred and Sixty Seven Dollars (\$1,066,667.00), which fee shall be fully earned as of and payable on the date hereof.

3.4 Intentionally Omitted.

3.5 Intentionally Omitted.

3.6 Unused Line Fee. Borrowers shall pay to Agent, for the benefit of Lenders in accordance with their Pro Rata Shares (calculated under clause (c) of the definition of Pro Rata Share), monthly, an unused line fee equal to one-quarter of one percent (0.25%) per annum calculated upon the amount, if any, by which the Maximum Credit then in effect, exceeds the average daily principal balance of the outstanding Loans and Letter of Credit Accommodations during the immediately preceding month while this Agreement is in effect and for so long thereafter as any of the Obligations are outstanding, which fee shall be payable on the first day of each month in arrears.

3.7 Compensation Adjustment.

(a) If after the date of this Agreement the introduction of, or any change in, any law or any rule, regulation, policy, guideline or directive of a Governmental Authority having general application to financial institutions of the same type as Agent or any Lender or any Participant, or any interpretation thereof, or compliance by Agent or any Lender or any Participant therewith:

(i) subjects Agent or any Lender to any tax, duty, charge or withholding on or from payments due from Borrowers (excluding Excluded Taxes), or changes the basis of taxation of payments, in either case in respect of amounts due it hereunder, or

(ii) imposes or increases or deems applicable any reserve requirement or other reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by Agent or any Lender or any Participant, or

(iii) imposes any other condition the result of which is to increase the cost to Agent or any Lender or any Participant of making, funding or maintaining the Loans or Letter of Credit Accommodations or reduces any amount receivable by Agent or any Lender or any Participant in connection with the Loans or Letter of Credit Accommodations, or requires

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Agent or any Lender or any Participant to make payment calculated by references to the amount of loans held or interest received by it, by an amount deemed material by Agent or any Lender or any Participant, or

(iv) imposes or increases any capital requirement or affects the amount of capital required or expected to be maintained by Agent or any Lender or any Participant or any corporation controlling Agent or any Lender or any Participant, and Agent or any Lender or any Participant determines that such imposition or increase in capital requirements or increase in the amount of capital expected to be maintained is based upon the existence of this Agreement or the Loans or Letter of Credit Accommodations hereunder, all of which may be determined by Agent's reasonable allocation of the aggregate of its impositions or increases in capital required or expected to be maintained,

and the result of any of the foregoing is to increase the cost to Agent or any Lender or any Participant of making, renewing or maintaining the Loans or Letter of Credit Accommodations, or to reduce the rate of return to Agent or any Lender or any Participant on the Loans or Letter of Credit Accommodations, then upon 10 days' prior written notice by Agent, Borrowers shall pay to Agent, for the benefit of Lenders, and continue to make periodic payments to Agent, for the benefit of Lenders, such additional amounts as may be necessary to compensate any Lender or any Participant for any such additional cost incurred or reduced rate of return realized.

(b) A certificate of Agent or any Lender claiming entitlement to compensation as set forth above will be conclusive in the absence of manifest error. Such certificate will set forth the nature of the occurrence giving rise to such compensation, the additional amount or amounts to be paid and the compensation and the method by which such amounts were determined. In determining any additional amounts due from Borrowers under this Section 3.7, Agent and each Lender shall act reasonably and in good faith and will, to the extent that the increased costs, reductions, or amounts received or receivable relate to Agent or such Lender's or a Participant's loans or commitments generally and are not specifically attributable to the Loans and commitments hereunder, use averaging and attribution methods which are reasonable and equitable and which cover all such loans and commitments by Agent or such Lender or such Participant, as the case may be, whether or not the loan documentation for such other loans and commitments permits Agent or such Lender or such Participant to receive compensation costs of the type described in this Section 3.7.

3.8 Changes in Laws and Increased Costs of Loans.

(a) Notwithstanding anything to the contrary contained herein, all Eurodollar Rate Loans shall, upon notice by Agent to Borrowers, convert to Prime Rate Loans in the event that (i) any change in applicable law or regulation having general application to financial institutions of the same type as Agent, any Lender, Reference Bank or any Participant, as applicable (or the interpretation or administration thereof) shall either (A) make it unlawful for Agent, any Lender, Reference Bank or any Participant to make or maintain Eurodollar Rate Loans or to comply with the terms hereof in connection with the Eurodollar Rate Loans, or (B) shall result in the increase in the costs to Agent, any Lender, Reference Bank or any Participant of making or maintaining any Eurodollar Rate Loans by an amount deemed by Agent to be material, or (C) reduce the amounts received or receivable by Agent or such Lender in respect

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thereof, by an amount deemed by Agent to be material or (ii) the cost to Agent, any Lender, Reference Bank or any Participant of making or maintaining any Eurodollar Rate Loans shall otherwise increase by an amount deemed by Agent to be material. Upon demand by Agent, Borrowers shall pay to Agent, for itself or the applicable Lender (or Agent may, at its option, charge any loan account of Borrowers) any amounts required to compensate Agent, or the applicable Lender, Reference Bank or any Participant for any loss (including loss of anticipated profits), cost or expense incurred by such person as a result of the foregoing, including, without limitation, any such loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such person to make or maintain the Eurodollar Rate Loans or any portion thereof. A certificate setting forth the basis for the determination of such amount necessary to compensate the Agent or applicable Lender as aforesaid shall be delivered to Borrowers and shall be conclusive, absent manifest error. In determining any additional amounts due from Borrowers under this Section 3.8, Agent or the applicable Lender shall act reasonably and in good faith and will, to the extent that the increased costs, reductions, or amounts received or receivable relate to the Agent's or applicable Lender's or a Participant's loans or commitments generally and are not specifically attributable to the Loans and commitments hereunder, use averaging and attribution methods which are reasonable and equitable and which cover all such loans and commitments by the Agent or applicable Lender or such Participant, as the case may be, whether or not the loan documentation for such other loans and commitments permits the Agent, Lender or such Participant to receive compensation costs of the type described in this Section 3.8.

(b) If any payments or prepayments in respect of the Eurodollar Rate Loans are received by Agent or the applicable Lender other than on the last day of the applicable Interest Period (whether pursuant to acceleration, upon maturity or otherwise), including any payments pursuant to the application of collections under Section 6.3 or any other payments made with the proceeds of Collateral, Borrowers shall, within 10 days of receipt of written notice from Agent, pay to Agent, for itself or the applicable Lender (or Agent may, at its option, charge any loan account of Borrowers) any amounts required to compensate Agent, or the applicable Lender, Reference Bank or any Participant for any additional loss (including loss of anticipated profits), cost or expense incurred by such person as a result of such prepayment or payment, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such person to make or maintain such Eurodollar Rate Loans or any portion thereof.

3.9 Mitigation Obligations; Replacement of Lenders. If any Lender requests compensation under Section 3.7, or if a Borrower is required to pay any additional amount to any Lender or any Governmental Authority pursuant to Section 3.8 (any such Lender, an "Affected Lender"), then such Affected Lender shall use reasonable efforts to promptly designate a different one of its lending offices or to assign its rights and obligations hereunder to another of its offices or branches, if (i) in the reasonable judgment of such Affected Lender, such designation or assignment would eliminate or reduce amounts payable pursuant to Section 3.7 or Section 3.8, as applicable, or would eliminate the illegality or impracticality of funding or maintaining Eurodollar Rate Loans and (ii) in the reasonable judgment of such Affected Lender, such designation or assignment would not subject it to any material unreimbursed cost or expense and would not otherwise be materially disadvantageous to it. The Borrowers agree to pay all reasonable out-of-pocket costs and expenses incurred by such Affected Lender in

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connection with any such designation or assignment. If, after such reasonable efforts, such Affected Lender does not so designate a different one of its lending offices or assign its rights to another of its offices or branches so as to eliminate Borrowers' obligation to pay any future amounts to such Affected Lender pursuant to Section 3.7 or Section 3.8, as applicable, or to enable the Borrowers to obtain Eurodollar Rate Loans, then the Borrowers (without prejudice to any amounts then due to such Affected Lender under Section 3.7 or Section 3.8, as applicable) may, unless prior to the effective date of any such assignment the Affected Lender withdraws its request for such additional amounts under Section 3.7 or Section 3.8, as applicable, or indicates that it is no longer unlawful or impractical to fund or maintain Eurodollar Rate Loans, may seek a substitute Lender reasonably acceptable to Agent to purchase the Obligations owed to such Affected Lender and such Affected Lender's Commitments hereunder (a "Replacement Lender"), and if such Replacement Lender agrees to such purchase, such Affected Lender shall assign to the Replacement Lender its Obligations and Commitments, pursuant to an Assignment and Acceptance, and upon such purchase by the Replacement Lender, such Replacement Lender shall be deemed to be a "Lender" for purposes of this Agreement and such Affected Lender shall cease to be a "Lender" for purposes of this Agreement.

SECTION 4. CONDITIONS PRECEDENT.

4.1 Conditions Precedent to Agreement. Each of the following is a condition precedent, except as may be waived in accordance with Section 11.3, to the effectiveness of this Agreement and to this Agreement amending and restating the Original Loan Agreement in its entirety:

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

(b) no material adverse change shall have occurred in the assets, business or prospects of Borrowers since the date of Agent's latest field examination and no change or event shall have occurred which would impair the ability of any Borrower or any Obligor to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Agent to enforce the Obligations or realize upon the Collateral;

(c) Agent shall have received, in form and substance reasonably satisfactory to Agent, the Term Notes duly executed and delivered by Borrowers;

(d) Agent shall have received an Information Certificate duly executed and delivered by each Borrower.

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

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(f) Agent shall have received a letter duly executed by Borrowers authorizing Agent to file appropriate financing statements in such office or offices as may be necessary or, in the reasonable opinion of Agent, desirable to perfect the security interests to be created hereunder;

(g) Agent shall have received evidence that appropriate financing statements have been duly filed in such office or offices as may be necessary or, in the reasonable opinion of Agent, desirable to perfect the Agent's Liens in and to the Collateral, and Agent shall have received searches reflecting the filing of all such financing statements;

(h) Agent shall have received, in form and substance satisfactory to Agent, an opinion letter of counsel to Borrowers and Obligors with respect to the Financing Agreements and such other matters as Agent may reasonably request;

(i) Agent shall have received the Bank Products Provider Letter Agreement.

(j) Agent shall have received 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;

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

(l) Agent shall have received, in form and substance satisfactory to Agent, the Apple Intercreditor Agreement duly executed by Apple Computer and certain of the Borrowers; and

(m) All other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered, executed or recorded and shall be in form and substance reasonably satisfactory to Agent.

4.2 Conditions Precedent to All Loans and Letter of Credit Accommodations. Each of the following is an additional condition precedent (except as may be waived in accordance with Section 11.3) to Lenders (or Agent on behalf of Lenders) making Loans and/or providing Letter of Credit Accommodations to Borrowers, including the initial Loans and Letter of Credit Accommodations and any future Loans and Letter of Credit Accommodations:

(a) all representations and warranties contained herein and in the other Financing Agreements shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of the making of each such Loan or providing each such Letter of Credit Accommodation and after giving effect thereto, except to the extent related to an earlier date, in which case such representations and warranties shall speak only of such earlier date; and

(b) no Event of Default and no event or condition which, with notice or passage of time or both, would constitute an Event of Default, shall exist or have occurred and be continuing on and as of the date of the making of such Loan or providing such Letter of Credit Accommodation and after giving effect thereto.

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SECTION 5. GRANT OF SECURITY INTEREST.

To secure payment and performance of all Obligations, each Borrower hereby grants to Agent, for itself and the ratable benefit of Secured Parties, a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Agent, for itself and the ratable benefit of Secured Parties, as security, all personal property and interests in property of such Borrower, whether now owned or hereafter acquired or existing, and wherever located (collectively, the "Collateral"), including the following:

5.1 all Accounts and other indebtedness owed to such Borrower;

5.2 all present and future contract rights, general intangibles (including, but not limited to, tax and duty refunds, registered and unregistered patents, trademarks, service marks, copyrights, trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, mailing lists, licenses, whether as licensor or licensee, choses in action and other claims and existing and future leasehold interests in equipment, real estate and fixtures), chattel paper, documents, instruments, securities, investment property, letters of credit, proceeds of letters of credit, bankers' acceptances and guaranties;

5.3 all present and future monies, securities, credit balances, deposits, deposit accounts and other property of such Borrower now or hereafter held or received by or in transit to Agent, any Lender or any of their respective affiliates or at any other depository or other institution from or for the account of such Borrower, whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Accounts and other Collateral, including, without limitation, (a) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (b) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (c) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Accounts or other Collateral, including, without limitation, returned, repossessed and reclaimed goods, and (d) deposits by and property of account debtors or other persons securing the obligations of account debtors;

5.4 all Inventory;

5.5 all Equipment;

5.6 all Records;

5.7 as to Onsale, the Real Estate; and

5.8 all products and proceeds of the foregoing, in any form, including, without limitation, insurance proceeds and any claims against third parties for loss or damage to or destruction of any or all of the foregoing.

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SECTION 6. COLLECTION AND ADMINISTRATION.

6.1 Borrowers' Loan Account. Agent shall maintain one or more loan account(s) on its books in which shall be recorded (a) all Loans, all Letter of Credit Accommodations and all other Obligations and the Collateral, (b) all payments made by or on behalf of Borrowers and (c) all other appropriate debits and credits as provided in this Agreement, including, without limitation, fees, charges, costs, expenses and interest. All entries in the loan account(s) shall be made in accordance with Agent's customary practices as in effect from time to time.

6.2 Statements. Agent shall render to Borrowers each month a statement setting forth the balance in the Borrowers' loan account(s) maintained by Agent for Borrowers pursuant to the provisions of this Agreement, including principal, interest, fees, costs and expenses. Each such statement shall be subject to subsequent adjustment by Agent but shall, absent manifest errors or omissions, be considered correct and deemed accepted by Borrowers and conclusively binding upon Borrowers as an account stated except to the extent that Agent receives a written notice from Borrowers of any specific exceptions of Borrowers thereto within sixty (60) days after the date such statement has been mailed by Agent. Until such time as Agent shall have rendered to Borrowers a written statement as provided above, the balance in Borrowers' loan account(s) shall be presumptive evidence of the amounts due and owing to Agent and Lenders by Borrowers.

6.3 Collection of Accounts.

(a) Borrowers shall establish and maintain, at their expense, deposit account arrangements and merchant payment arrangements with the banks set forth on Schedule 8.8 and after prior written notice to Agent, such other banks as Borrowers may hereafter select as are acceptable to Agent. The banks set forth on Schedule 8.8 constitute all of the banks with whom any Borrower has deposit account arrangements and merchant payment arrangements as of the date hereof.

(i) Borrowers shall deposit all proceeds from sales of Inventory in every form (including, without limitation, cash, checks, credit card sales drafts, credit card sales of charge slip or receipts and other forms of daily receipts) and all other proceeds of Collateral that are received at Borrowers' retail store location(s), on each Business Day into the deposit accounts of Borrowers used solely for such purpose as set forth on Schedule 8.8. Borrowers shall irrevocably authorize and direct in writing, in form and substance satisfactory to Agent, each of the banks into which proceeds from sales of Inventory and any and all other proceeds of Collateral are at any time deposited as provided above to send by wire transfer on a daily basis all funds deposited in such account, and shall irrevocably authorize and direct in writing their account debtors, Credit Card Issuers and Credit Card/Check Processors to directly remit payments on their Accounts, Credit Card Receivables and all other payments constituting proceeds of Inventory to the Blocked Accounts described in Section 6.3(a)(ii) below. Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, those of such banks used by Borrowers' retail store locations shall remit the foregoing proceeds received by them to the Blocked Accounts on a weekly basis, instead of a daily basis, provided, that, the aggregate sum of such proceeds held by those banks shall not exceed Five Hundred Thousand Dollars (\$500,000) at any time. Such authorizations and directions shall not be rescinded, revoked or modified without the prior written consent of Agent.

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(ii) Borrowers shall establish and maintain, at their expense, a blocked account or lockboxes and related blocked accounts (in either case, each a "Blocked Account" and collectively the "Blocked Accounts"), as Agent may specify, with such bank or banks as are acceptable to Agent into which Borrowers shall promptly deposit and direct their account debtors to directly remit all payments on Accounts and all payments constituting proceeds of Inventory or other Collateral in the identical form in which such payments are made, whether by cash, check or other manner. Each bank at which a Blocked Account is established shall enter into an agreement, in form and substance satisfactory to Agent, providing (unless otherwise agreed to by Agent) that all items received or deposited in such Blocked Account are the Collateral of Agent and Lenders, that the depository bank has no lien upon, or right to setoff against, the Blocked Accounts, the items received for deposit therein, or the funds from time to time on deposit therein and that the depository bank will wire, or otherwise transfer, in immediately available funds, on a daily basis, all funds received or deposited into such Blocked Account to such bank account of Agent as Agent may from time to time designate for such purpose (the "Payment Account"). Borrowers agree that all amounts deposited in the Blocked Accounts or other funds received and collected by Agent or any Lender, whether as proceeds of Inventory, the collection of Accounts or other Collateral or otherwise shall be the Collateral of Agent and Lenders.

(b) For purposes of calculating interest on the Obligations, such payments or other funds received will be applied (conditional upon final collection) to the Obligations one-half of one (1/2) Business Day following the date of receipt of immediately available funds by Agent in the Payment Account (such that Borrowers will pay a charge equal to one-half (1/2) of the additional interest that would have accrued on the sum of such payments or other funds if the sum was applied to the Obligations one (1) Business Day after receipt of immediately available funds by Lenders in the Payment Account). For purposes of calculating the amount of the Revolving Loans available to Borrowers such payments will be applied (conditional upon final collection) to the Obligations on the Business Day of receipt by Agent in the Payment Account, if such payments are received within sufficient time (in accordance with Agent's usual and customary practices as in effect from time to time) to credit Borrowers' loan account on such day, and if not, then on the next Business Day. In the event that at any time or from time to time there are no Revolving Loans outstanding, Lenders shall be entitled to an administrative charge in an amount equivalent to the interest Lenders would have received on account of the above one-half of one (1/2) Business Day clearance had there been Revolving Loans outstanding.

(c) Borrowers and all of their affiliates, subsidiaries, shareholders, directors, employees or agents shall, acting as trustee for Agent and Lenders, receive, as the property of Agent and Lenders, any monies, cash, checks, notes, drafts or any other payment relating to and/or proceeds of Accounts or from sales of Inventory or other Collateral which come into their possession or under their control and immediately upon receipt thereof, shall deposit or cause the same to be deposited in the Blocked Accounts, or remit the same or cause the same to be remitted, in kind, to Agent. In no event shall any such monies, checks, notes, drafts or other payments be commingled with any Borrower's own funds. Borrowers agree to reimburse Agent and the Lenders on demand for any amounts owed or paid to any bank at which a Blocked Account is established or any other bank or person involved in the transfer of funds to or from the Blocked Accounts arising out of Agent's or any Lender's payments to or indemnification of such bank or person, unless such payment or indemnification obligation of Agent or Lender was a result of Agent's or such Lender's gross negligence or willful misconduct. The obligation of

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Borrowers to reimburse Agent and Lenders for such amounts pursuant to this Section 6.3 shall survive the termination or non-renewal of this Agreement.

6.4 Payments. All Obligations shall be payable to the Payment Account as provided in Section 6.3 of this Agreement or such other place as Agent may designate from time to time. Subject to the other terms and conditions contained herein, Agent shall apply payments received or collected from any Borrower or for the account of any Borrower (including the monetary proceeds of collections or of realization upon any Collateral) as follows: first, to pay any fees, indemnities or expense reimbursements then due to Agent and Lenders from any Borrower; second, to pay interest due in respect of any Loans (and including any Special Agent Advances) or Letter of Credit Accommodations; third, to pay or prepay principal in respect of Special Agent Advances; fourth, to pay principal due in respect of the Loans, on a pro rata basis; fifth, to pay or prepay any other Obligations whether or not then due, in such order and manner as Agent determines and at any time an Event of Default exists or has occurred and is continuing, to provide cash collateral for any Letter of Credit Accommodations or other contingent Obligations (but not including for this purpose any Obligations arising under or pursuant to any Bank Products in accordance with the terms of the applicable Bank Products Letter); and sixth, to pay or prepay any Obligations arising under or pursuant to any Bank Products in accordance with the Bank Products Letter; provided, that, so long as no Event of Default has occurred and is continuing, excess proceeds received from the sale or refinancing of Real Estate pursuant to Section 2.3(c) or proceeds generated in the ordinary course of Borrowers' business on Accounts or Inventory will not be applied to any principal amount not yet due and payable on the Term Loan or to contingent Obligations. At Agent's option, all principal, interest, fees, costs, expenses and other charges provided for in this Agreement or the other Financing Agreements may be charged directly to the loan account(s) of Borrowers. Borrowers shall make all payments to Agents and the Lenders on the Obligations free and clear of, and without deduction or withholding for or on account of, any setoff, counterclaim, defense, duties, taxes, levies, imposts, fees, deductions, withholding, restrictions or conditions of any kind. If after receipt of any payment of, or proceeds of Collateral applied to the payment of, any of the Obligations, Agent or any Lender is required to surrender or return such payment or proceeds to any Person for any reason, then the Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Agreement shall continue in full force and effect as if such payment or proceeds had not been received by such Person. Borrowers shall be liable to pay to Agent and Lenders, and do hereby indemnify and hold Agent and each Lender harmless for the amount of any payments or proceeds surrendered or returned. This Section 6.4 shall remain effective notwithstanding any contrary action which may be taken by Agent or any Lender in reliance upon such payment or proceeds. This Section 6.4 shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

6.5 Taxes.

(a) Any and all payments by or on behalf of any Borrower or any Obligor hereunder and under any other Financing Agreement shall be made, in accordance with Section 6.4 of this Agreement, free and clear of and without deduction for any and all Taxes, excluding (i) income taxes imposed on the net income of any Lender (or any transferee or assignee of such Lender, including any Participant, any such transferee or assignee being referred to as a "Transferee") and (ii) franchise or similar taxes imposed on or determined by reference to the net

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income of any Lender (or Transferee), in each case by the United States of America or by the jurisdiction under the laws of which such Lender (or Transferee) (A) is organized or any political subdivision thereof or (B) has its applicable lending office located. In addition, each Borrower agrees to pay to the relevant Governmental Authority, in accordance with applicable law, any Other Taxes.

(b) If any Borrower or any Obligor shall be required by law to deduct or withhold in respect of any Taxes or Other Taxes from or in respect of any sum payable hereunder to Agent or any Lender, then:

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Lender (or Agent on behalf of such Lender) receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) such Borrower or such Obligor shall make such deductions and withholdings;

(iii) such Borrower or such Obligor shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) to the extent not paid to Agent and Lenders pursuant to clause (i) above, such Borrower or such Obligor shall also pay to Agent or any Lender, at the time interest is paid, all additional amounts which Agent or any Lender specifies as necessary to preserve the after-tax yield such Lender would have received if such Taxes or Other Taxes had not been imposed.

(c) Within thirty (30) days after the date of any payment by any Borrower or any Obligor of Taxes or Other Taxes, such Person shall furnish to Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment reasonably satisfactory to Agent.

(d) Borrowers will indemnify Agent and each Lender (or Transferee) for the full amount of Taxes and Other Taxes paid by Agent or such Lender (or Transferee, as the case may be). If Agent or such Lender (or Transferee) receives a refund in respect of any Taxes or Other Taxes for which Lender (or Transferee) has received payment from any Borrower or any Obligor hereunder, Agent or such Lender (as the case may be) shall credit to the loan account of Borrowers the amount of such refund plus any interest received (but only to the extent of indemnity payments made, or additional amounts paid, by any Borrower or any Obligor under this Section 6.5 with respect to the Taxes or Other Taxes giving rise to such refund). If a Lender (or any Transferee) claims a tax credit in respect of any Taxes for which it has been indemnified by Borrower or any Obligor pursuant to this Section 6.5, such Lender will apply the amount of the actual dollar benefit received by such Lender as a result thereof, as reasonably calculated by Lender and net of all expenses related thereto, to the Loans. If Taxes or Other Taxes were not correctly or legally asserted, Agent or such Lender shall, upon Borrower's request and at

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Borrowers' expense, provide such documents to Borrower as Borrower may reasonably request, to enable Borrowers to contest such Taxes or Other Taxes pursuant to appropriate proceedings then available to Borrowers (so long as providing such documents shall not, in the good faith determination of Agent, have a reasonable likelihood of resulting in any liability of Agent or any Lender).

(e) In the event any Transferee is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") such Non-U.S. Lender shall deliver to Borrowers two (2) copies of either United States Internal Revenue Service Form 1001 or Form 4224, or, in the case of a Non-U.S. Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a ten percent (10%) shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of any Borrower or any Obligor and is not a controlled foreign corporation related to any Borrower or any Obligor (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from U.S. Federal withholding tax on payments by any Borrower or any Obligor under this Agreement and the other Financing Agreements. Such forms shall be delivered by any Transferee that is a Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a Participant, on or before the date such Participant becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, a Non-U.S. Lender shall upon written notice from Borrowers promptly deliver such new forms as are required by the Code or the regulations issued thereunder to claim exemption from, or reduction in the rate of, U.S. Federal withholding tax upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 6.5(e), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 6.5(e) that such Non-U.S. Lender is not legally able to deliver.

(f) Borrowers and Obligors shall not be required to indemnify any Non-U.S. Lender or to pay any additional amounts to any Non-U.S. Lender, in respect of United States Federal withholding tax pursuant to subsections (a) or (d) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax was applicable on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a Participant, on the date such Participant became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to a Loan; provided, that, this subsection (f) shall not apply (A) to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of any Borrower or any Obligor and (B) to the extent the indemnity payment or additional amounts any Transferee, acting through a New Lending Office, would be entitled to receive (without regard to this subsection (f)) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Transferee making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such

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additional amounts would not have arisen but for a failure by such Non-U.S. Lender to comply with the provisions of subsection (e) above.

6.6 Authorization to Make Loans. Agent and each Lender is authorized to make the Loans and provide the Letter of Credit Accommodations based upon telephonic or other instructions received from anyone purporting to be an officer of a Borrower or other authorized person or, at the discretion of Agent or any Lender, if such Loans are necessary to satisfy any Obligations; provided, that, proceeds of Loans shall be remitted by Agent and the Lenders to accounts designated by Borrowers in writing, which accounts shall be accounts of Borrowers unless otherwise agreed by Agent. All requests for Loans or Letter of Credit Accommodations hereunder shall specify the date on which the requested advance is to be made or Letter of Credit Accommodations established (which day shall be a Business Day) and the amount of the requested Loan. Requests received at or before 10:30 a.m. (Los Angeles time) on any Business Day shall be deemed to have been made as of such Business Day. Requests received on any day that is not a Business Day or received after 10:30 a.m. (Los Angeles time) on any Business Day shall be deemed to have been made as of the opening of business on the immediately following Business Day. Subject to the terms and conditions of this Agreement, Agent and the Lenders will make the Loans or commence arranging for the Letter of Credit Accommodations (as requested by Borrowers) on the Business Day the request is deemed to have been made or such later Business Day as may be specified by Borrowers. All Loans and Letter of Credit Accommodations under this Agreement shall be conclusively presumed to have been made to, and at the request of and for the benefit of, Borrowers when deposited to the credit of Borrowers or otherwise disbursed or established in accordance with the instructions of Borrowers or in accordance with the terms and conditions of this Agreement.

6.7 Use of Proceeds. Borrowers shall use the proceeds of the Loans and Letter of Credit Accommodations provided by or on behalf of Lenders to Borrowers hereunder (a) to repay the outstanding balance of the term loans under the Original Loan Agreement, (b) for costs, expenses and fees in connection with the preparation, negotiation, execution and delivery of this Agreement and the other Financing Agreements executed in connection herewith and (c) for general operating, working capital and other proper corporate purposes of Borrowers not otherwise prohibited by the terms hereof. None of the proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security or for the purposes of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Loans to be considered a "purpose credit" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended.

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

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6.9 Sharing of Payments, Etc.

(a) Each Borrower agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim any Agent or Lender may otherwise have, each Lender shall be entitled, at its option (but subject, as among Agent and Lenders, to the provisions of Section 6.9(b) hereof), to offset balances held by it for the account of any Borrower at any of its offices, in dollars or in any other currency, against any principal of or interest on any Loans owed to such Lender or any other amount payable to such Lender hereunder, that is not paid when due (regardless of whether such balances are then due to Borrower), in which case it shall promptly notify Borrowers and Agent thereof; provided, that, such Lender's failure to give such notice shall not affect the validity thereof.

(b) Agent and Lenders agree that no Lender shall, except upon the prior written consent of Agent, exercise any right of setoff, banker's lien or counterclaim such Lender may have with respect to any property held by such Lender for the account of any Borrower. If any Lender (including Agent) shall obtain from any Borrower payment of any principal of or interest on any Loan owing to it or payment of any other amount under this Agreement or any other Financing Agreement through the exercise (in accordance with the terms hereof) of any right of setoff, banker's lien or counterclaim or similar right or otherwise (other than from Agent as provided herein), and, as a result of such payment, such Lender shall have received more than its Pro Rata Share of the principal of the Loans or more than its share of such other amounts then due hereunder or thereunder by such Borrower to such Lender than the percentage thereof received by any other Lender, it shall promptly pay to Agent, for the benefit of Lenders, the amount of such excess and simultaneously purchase from such other Lenders a participation in the Loans or such other amounts, respectively, owing to such other Lenders (or such interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all Lenders shall share the benefit of such excess payment (net of any expenses that may be incurred by such Lender in obtaining or preserving such excess payment) in accordance with their respective Pro Rata Shares or as otherwise agreed by Lenders. To such end all Lenders shall make appropriate adjustments among themselves (by the resale of participation sold or otherwise) if such payment is rescinded or must otherwise be restored.

(c) Each Borrower agrees that any Lender so purchasing a participation pursuant to subsection (b) above (or direct interest) may exercise, in a manner consistent with this Section, all rights of setoff, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans or other amounts (as the case may be) owing to such Lender in the amount of such participation.

(d) Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of any Borrower. If, under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section applies, such Lender shall, to the extent practicable, assign such rights to Agent for the benefit of Lenders and, in any event, exercise its rights in respect of such secured claim in a manner consistent with the rights of Lenders entitled under this Section to share in the benefits of any recovery on such secured claim.

6.10 Settlement Procedures.

(a) In order to administer the credit facility provided hereunder in an efficient manner and to minimize the transfer of funds between Agent and Lenders, Agent may, subject to the terms of this Section, make available, on behalf of Lenders, the full amount of the Loans requested or charged to Borrowers' loan account(s) or otherwise to be advanced by Lenders pursuant to the terms hereof, without any requirement of prior notice to Lenders of the proposed Loans.

(b) With respect to all Revolving Loans made by Agent on behalf of Revolving Loan Lenders as provided in this Section, the amount of each Revolving Loan Lender's Pro Rata Share of the outstanding Revolving Loans shall be computed weekly, and shall be adjusted upward or downward on the basis of the amount of the outstanding Revolving Loans as of 5:00 p.m. Los Angeles time on the Business Day immediately preceding the date of each settlement computation; provided, that, Agent retains the absolute right at any time or from time to time to make the above described adjustments at intervals more frequent than weekly, but in no event more than twice in any week. Agent shall deliver to each of the Revolving Loan Lenders after the end of each week, or at such lesser period or periods as Agent shall determine, a summary statement of the amount of outstanding Revolving Loans for such period (such week or lesser period or periods being hereinafter referred to as a "Settlement Period"). If the summary statement is sent by Agent and received by a Revolving Loan Lender prior to 2:00 p.m. Los Angeles time, then such Revolving Loan Lender shall make the settlement transfer described in this Section by no later than 2:00 p.m. Los Angeles time on the next Business Day following the date of receipt. If, as of the end of any Settlement Period, the amount of a Lender's Pro Rata Share of the outstanding Revolving Loans is more than such Lender's Pro Rata Share of the outstanding Revolving Loans as of the end of the previous Settlement Period, then such Lender shall forthwith (but in no event later than the time set forth in the preceding sentence) transfer to Agent by wire transfer in immediately available funds the amount of the increase. Alternatively, if the amount of a Lender's Pro Rata Share of the outstanding Revolving Loans in any Settlement Period is less than the amount of such Lender's Pro Rata Share of the outstanding Revolving Loans for the previous Settlement Period, Agent shall forthwith transfer to such Lender by wire transfer in immediately available funds the amount of the decrease. The obligation of each of the Revolving Loan Lenders to transfer such funds and effect such settlement shall be irrevocable and unconditional and without recourse to or warranty by Agent. Each of Agent and Revolving Loan Lenders agrees to mark its books and records at the end of each Settlement Period to show at all times the dollar amount of its Pro Rate Share of the outstanding Revolving Loans and Letter of Credit Accommodations. Each Revolving Loan Lender shall only be entitled to receive interest on its Pro Rata Share of the Loans to the extent such Loans have been funded by such Lender. Because the Agent on behalf of Revolving Loan Lenders may be advancing and/or may be repaid Revolving Loans prior to the time when Lenders will actually advance and/or be repaid such Revolving Loans, interest with respect to Revolving Loans shall be allocated by Agent in accordance with the amount of Revolving Loans actually advanced by and repaid to each Revolving Loan Lender and the Agent and shall accrue from and including the date such Loans are so advanced to but excluding the date such Loans are either repaid by any Borrower or actually settled with the applicable Lender as described in this Section.

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(c) To the extent that Agent has made any such amounts available and the settlement described above shall not yet have occurred, upon repayment of any Loans by any Borrower, Agent may apply such amounts repaid directly to any amounts made available by any Agent pursuant to this Section. In lieu of weekly or more frequent settlements, Agent may at any time require each Lender to provide Agent with immediately available funds representing its Pro Rata Share of each Loan, prior to Agent's disbursement of such Loan to any Borrower. In such event, all Loans under this Agreement shall be made by the Lenders simultaneously and proportionately to their Pro Rata Shares. No Lender shall be responsible for any default by any other Lender in the other Lender's obligation to make a Loan requested hereunder nor shall the Commitment of any Lender be increased or decreased as a result of the default by any other Lender in the other Lender's obligation to make a Loan hereunder.

(d) If Agent is not funding a particular Loan to Borrowers pursuant to this Section on any day, Agent may assume that each Lender will make available to Agent such Lender's Pro Rata Share of the Revolving Loan requested or otherwise made on such day and Agent may, in its discretion, but shall not be obligated to, cause a corresponding amount to be made available to Borrowers on such day. If Agent makes such corresponding amount available to Borrowers and such corresponding amount is not in fact made available to Agent by such Lender, Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest thereon for each day from the date such payment was due until the date such amount is paid to Agent at the interest rate provided for in Section 3.1 hereof. During the period in which such Lender has not paid such corresponding amount to Agent, notwithstanding anything to the contrary contained in this Agreement or any of the other Financing Agreements, the amount so advanced by Agent to any Borrower shall, for all purposes hereof, be a Loan made by Agent for its own account. Upon any such failure by a Lender to pay Agent, Agent shall promptly thereafter notify Borrowers of such failure and Borrowers shall immediately pay such corresponding amount to Agent for its own account. A Lender who fails to pay Agent its Pro Rata Share of any Loans made available by the Agent on such Lender's behalf, or any Lender who fails to pay any other amount owing to Agent, is a "Defaulting Lender". Agent shall not be obligated to transfer to a Defaulting Lender any payments made by or on behalf of any Borrower or any Obligor to Agent for the Defaulting Lender's benefit, nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder. Amounts payable to a Defaulting Lender shall instead be paid to or retained by Agent. Agent may hold and, in its discretion, re-lend to any Borrower the amount of all such payments received or retained by it for the account of such Defaulting Lender. For purposes of voting or consenting to matters with respect to this Agreement and the other Financing Agreements and determining Pro Rata Shares, such Defaulting Lender shall be deemed not to be a Lender and such Defaulting Lender's Commitment shall be deemed to be zero (0). This Section shall remain effective with respect to a Defaulting Lender until such default is cured. The operation of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, or relieve or excuse the performance by any Borrower or any Obligor of their duties and obligations hereunder.

(e) Nothing in this Section or elsewhere in this Agreement or the other Financing Agreements shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its Commitment hereunder or to prejudice any rights that any Borrower may have against any Lender as a result of any default by any Lender hereunder in fulfilling its Commitment.

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6.11 Bank Products. Borrowers or any of their Subsidiaries, may (but no such Person is required to) request that the Bank Product Providers provide or arrange for such Person to obtain Bank Products from Bank Product Providers, and each Bank Product Provider may, in its sole discretion, provide or arrange for such Person to obtain the requested Bank Products. Borrowers or any of their Subsidiaries that obtain Bank Products shall indemnify and hold Agent harmless from any and all obligations now or hereafter owing to any other Person by any Bank Product Provider in connection with any Bank Products other than for gross negligence or willful misconduct on the part of any such indemnified Person. This Section 6.11 shall survive the payment of the Obligations and the termination of this Agreement. Borrowers acknowledge and agree that the obtaining of Bank Products from Bank Product Providers (a) is in the sole discretion of such Bank Product Provider, and (b) is subject to all rules and regulations of such Bank Product Provider.

SECTION 7. COLLATERAL REPORTING AND COVENANTS.

7.1 Collateral Reporting. Borrowers shall provide Agent with the following documents in a form satisfactory to Agent: (a) on a weekly basis, or, so long as an FCCR Triggering Event is ongoing (or, after the occurrence of an Event of Default, so long as such Event of Default is continuing), more frequently as Agent may request, (i) schedules of sales made, credits issued and cash received, which, after the occurrence of an Event of Default or the filing of a bankruptcy petition by or against any Borrower, and for so long as such Event of Default is continuing or such bankruptcy petition has not been dismissed, shall separately account for sales of Inventory subject to the security interest of IBM Credit Corporation, (ii) borrowing base certificates, (iii) schedules of Inventory (net of fixed assets) separately identifying Inventory by vendor, type, location and age, with perpetual inventory reports, and (iv) schedules of accounts payable and accrued accounts payable to any vendor holding a security interest in any property of the Borrowers; (b) on a monthly basis, on or before the tenth (10th) Business Day of such month for the immediately preceding month or more frequently as Agent may request, (i) agings of accounts receivable, (ii) agings of accounts payable, accrued accounts payable, lease payables and other payables, and (iii) a certificate from an authorized officer of Borrowers representing that each Borrower has made payment of sales and use taxes during such month or, at Agent's request, other evidence of such payment; (c) upon Agent's request, (i) copies of customer statements and credit memos, remittance advices and reports, and copies of deposit slips and bank statements, (ii) copies of shipping and delivery documents, and (iii) copies of purchase orders, invoices and delivery documents for Inventory and Equipment acquired by Borrowers; and (d) such other reports as to the Collateral or other property which is security for the Obligations as Agent shall request in its Permitted Discretion from time to time. Borrowers shall provide Agent, as soon as available, but in any event not later than five (5) days after receipt by Borrowers, with all statements received from Apple Computer and any other vendor who may hold a security interest in any Borrowers' assets, together with such additional information as shall be sufficient to enable Agent to monitor the accounts payable and accrued accounts payable to them. If any of Borrowers' records or reports of the Collateral or other property which is security for the Obligations are prepared or maintained by an accounting service, contractor, shipper or other agent, Borrowers hereby irrevocably authorize such service, contractor, shipper or agent to deliver such records, reports, and related documents to Agent and to follow Agent's instructions with respect to further services at any time that an Event of Default exists or has occurred and is continuing.

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7.2 Accounts Covenants.

(a) Each Borrower shall notify Agent promptly of the assertion of any claims, offsets, defenses of counterclaims by any account debtor, or any disputes with any of such persons or any settlement, adjustment or compromise thereof, in the schedules, certificates and reports provided pursuant to Section 7.1 hereof.

(b) Each Borrower shall notify Agent promptly of: (i) any material delay in any Borrower's performance of any of its obligations to any account debtor or the assertion of any claims, offsets, defenses or counterclaims by any account debtor, or any disputes with account debtors, or any settlement, adjustment or compromise thereof, (ii) all material adverse information relating to the financial condition of any account debtor and (iii) any event or circumstance which, to Borrowers' knowledge would cause Agent to consider any then existing Accounts as no longer constituting Eligible Accounts. No credit, discount, allowance or extension or agreement for any of the foregoing shall be granted to any account debtor, Credit Card Issuer or Credit Card/Check Processor except in the ordinary course of Borrowers' business in accordance with its most recent past practices and policies. So long as no Event of Default exists or has occurred and is continuing, Borrowers may settle, adjust or compromise any claim, offset, counterclaim or dispute with any account debtor, Credit Card Issuer or Credit Card/Check Processor in the ordinary course of Borrowers' business in accordance with their most recent past practices and policies. At any time that an Event of Default exists or has occurred and is continuing, Agent shall, at its option, have the exclusive right to settle, adjust or compromise any claim, offset, counterclaim or dispute with any account debtor, Credit Card Issuer or Credit Card/Check Processor or grant any credits, discounts or allowances. Each Borrower shall notify Agent promptly of (i) any notice of a material default by any Borrower under any of the Credit Card/Check Processing Agreements or of any default which might result in the Credit Card Issuer or Credit Card/Check Processor ceasing to make payments or suspending payments to Borrowers, (ii) any notice from any Credit Card Issuer or Credit Card/Check Processor that such person is ceasing or suspending, or will cease or suspend, any present or future payments due or to become due to Borrowers from such person, or that such person is terminating or will terminate any of the Credit Card/Check Processing Agreements, and (iii) the failure of any Borrower to comply with any material terms of the Credit Card/Check Processing Agreements or any terms thereof which might result in the Credit Card Issuer or Credit Card/Check Processor ceasing or suspending payments to Borrowers.

(c) Without limiting the obligation of Borrowers to deliver any other information to Agent, Borrowers shall promptly report to Agent any return of Inventory by any account debtor. At any time that Inventory is returned, reclaimed or repossessed, the Account (or portion thereof) which arose from the sale of such returned, reclaimed or repossessed Inventory shall not be deemed an Eligible Account. In the event any account debtor returns Inventory when an Event of Default exists or has occurred and is continuing, Borrowers shall, upon Agent's request, (i) hold the returned Inventory in trust for Agent, (ii) segregate all returned Inventory from all of its other property, (iii) dispose of the returned Inventory solely according to Agent's instructions, and (iv) not issue any credits, discounts or allowances with respect thereto without Agent's prior written consent.

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(d) With respect to each Account and Credit Card/Check Processing Receivable: (i) the amounts shown on any invoice delivered to Agent or schedule thereof delivered to Agent shall be true and complete in all material respects, (ii) no payments shall be made thereon except payments delivered to Agent pursuant to the terms of this Agreement, (iii) no credit, discount, allowance or extension or agreement for any of the foregoing shall be granted to any account debtor, Credit Card Issuer or Credit Card/Check Processor except as reported to Agent in accordance with this Agreement and except for credits, discounts, allowances or extensions made or given in the ordinary course of Borrowers' business in accordance with practices and policies previously disclosed to Agent, (iv) there shall be no setoffs, deductions, contras, defenses, counterclaims or disputes existing or asserted with respect thereto except as reported to Agent in accordance with the terms of this Agreement, (v) none of the transactions giving rise thereto will violate any applicable State or Federal Laws or regulations, all documentation relating thereto will be legally sufficient under such laws and regulations and all such documentation will be legally enforceable in accordance with its terms.

(e) Agent shall have the right at any time or times, in Agent's name or in the name of a nominee of Agent, to verify the validity, amount or any other matter relating to any Account, Credit Card/Check Processing Receivable or other Collateral, by mail, telephone, facsimile transmission or otherwise.

(f) Borrowers shall deliver or cause to be delivered to Agent, with appropriate endorsement and assignment, with full recourse to Borrowers, all chattel paper and instruments which Borrowers now own or may at any time acquire immediately upon Borrowers' receipt thereof, except as Agent may otherwise agree.

(g) Agent may, at any time or times that an Event of Default exists or has occurred and is continuing, (i) notify any or all account debtors, Credit Card Issuers or Credit Card/Check Processors that the Accounts and Credit Card/Check Processing Receivables have been assigned to Agent and that Agent and the Lenders have a security interest therein and Agent may direct any or all account debtors, Credit Card Issuers or Credit Card/Check Processors to make payments of Accounts and Credit Card/Check Processing Receivables directly to Agent, (ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Accounts and Credit Card/Check Processing Receivables or other obligations included in the Collateral and thereby discharge or release the account debtor, Credit Card Issuer, Credit Card/Check Processor or any other party or parties in any way liable for payment thereof without affecting any of the Obligations, (iii) demand, collect or enforce payment of any Accounts and Credit Card/Check Processing Receivables or such other obligations, but without any duty to do so, and Agent shall not be liable for its failure to collect or enforce the payment thereof or for the negligence of its agents or attorneys with respect thereto and (iv) take whatever other action Agent may deem necessary or desirable for the protection of its interests. At any time that an Event of Default exists or has occurred and is continuing, at Agent's request, all invoices and statements sent to any account debtor shall state that the Accounts due from such account debtor and such other obligations have been assigned to Agent and are payable directly and only to Agent and Borrowers shall deliver to Agent such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Agent may require.

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7.3 Inventory Covenants. With respect to the Inventory:

(a) Borrowers shall at all times maintain inventory records reasonably satisfactory to Agent, keeping correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, Borrowers' cost therefor and daily withdrawals therefrom and additions thereto;

(b) Borrowers shall conduct, at their option, either periodic cycle counts or a physical count of the Inventory once every twelve (12) months, but at any time as Agent may reasonably request upon the occurrence and during the continuance of an Event of Default. Promptly following such counts, Borrower shall supply Agent with a report in the form and with such specificity as may be reasonably satisfactory to Agent;

(c) Borrowers shall not remove any Inventory from the locations set forth or permitted herein, without the prior written consent of Agent, except for sales of Inventory in the ordinary course of Borrowers' business and except to move Inventory directly from one location set forth or permitted herein to another such location;

(d) (i) upon Agent's request, Borrowers shall, at their expense, no more than one (1) time in any twelve (12) month period, but at any time or times as Agent may request upon the occurrence and during the continuance of an Event of Default, deliver or cause to be delivered to Agent a full written appraisal as to the Inventory in form, scope and methodology acceptable to Agent and addressing such issues as Agent may require in its commercially reasonable judgment, issued by a technology appraiser listed on Schedule 7.3 or otherwise acceptable to Agent and Borrowers, and addressed to Agent and Lenders or upon which Agent and Lenders are expressly permitted to rely (with the understanding that Agent may revise the definition of Eligible Inventory' hereunder or establish Availability Reserves as Agent may deem advisable in its sole discretion based upon the results of such updated appraisals); (ii) at any time upon the occurrence and during the continuance of an Event of Default, and up to two (2) times in any twelve month period immediately following any month where the average amount of outstanding Loans, Letter of Credit Accommodations and other Obligations which are made with respect to Inventory in such month is greater than \$25,000,000, upon Agent's request, Borrowers shall, at their expense, deliver or cause to be delivered to Agent a desktop appraisal as to the Inventory in form, scope and methodology acceptable to Agent and addressing such issues as Agent may require in its commercially reasonable judgment, issued by an appraiser acceptable to Agent, and addressed to Agent and Lenders or upon which Agent and Lenders are expressly permitted to rely (with the understanding that Agent may revise the definition of Eligible Inventory' hereunder or establish Availability Reserves as Agent may deem advisable in its sole discretion based upon the results of such updated appraisals);

(e) Borrowers shall produce, use, store and maintain the Inventory, with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with applicable laws (including, but not limited to, the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto);

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(f) Borrowers assume all responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory;

(g) Borrowers shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate Borrowers to repurchase such Inventory (except in the ordinary course of Borrowers' business pursuant to their existing policies and in accordance with their industry standards);

(h) Borrowers shall keep the Inventory in good and marketable condition;

(i) Borrowers shall not, without prior written notice to Agent, acquire or accept any Inventory on consignment or approval (except in the ordinary course of Borrowers' business pursuant to their existing policies, in accordance with Borrowers' industry standards, and consistent with Borrowers' historical practices, so long as the amount of Inventory on consignment is reported on each borrowing base certificate delivered hereunder); and

(j) upon the occurrence and during the continuance of an Event of Default, Borrowers shall not return any Inventory to its vendors without the prior consent of Agent.

7.4 Equipment Covenants. With respect to the Equipment:

(a) upon Agent's request, Borrowers shall, at their expense, at any time or times as Agent may request upon the occurrence and during the continuation of an Event of Default, deliver or cause to be delivered to Agent written reports or appraisals as to the Equipment in form, scope and methodology reasonably acceptable to Agent and by an appraiser acceptable to Agent;

(b) Borrowers shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted);

(c) Borrowers shall use the Equipment with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with all applicable laws;

(d) the Equipment is and shall be used in Borrowers' business and not for personal, family, household or farming use;

(e) Borrowers shall not remove any Equipment from the locations set forth or permitted herein, except to the extent necessary to have any Equipment repaired or maintained in the ordinary course of the business of Borrowers or to move Equipment directly from one such location set forth or permitted herein to another such location and except for the movement of motor vehicles used by or for the benefit of Borrowers in the ordinary course of business;

(f) the Equipment is now and shall remain personal property and Borrowers shall not permit any of the Equipment to be or become a part of or affixed to real property; and

(g) Borrowers assume all responsibility and liability arising from the use of the Equipment.

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7.5 Power of Attorney. Each Borrower hereby irrevocably designates and appoints Agent (and all persons designated by Agent) as such Borrower's true and lawful attorney-in-fact, and authorizes Agent, in such Borrower's or Agent's name, to:

- (a) at any time an Event of Default has occurred and is continuing:
 - (i) demand payment on Accounts, Credit Card/Check Processing Receivables or other proceeds of Inventory or other Collateral;
 - (ii) enforce payment of Accounts, Credit Card/Check Processing Receivables or other Obligations included in the Collateral by legal proceedings or otherwise;
 - (iii) exercise all of such Borrower's rights and remedies to collect any Account, Credit Card/Check Processing Receivables or other proceeds of Inventory or other Collateral;
 - (iv) sell or assign any Account and Credit Card/Check Processing Receivables upon such terms, for such amount and at such time or times as the Agent deems advisable;
 - (v) settle, adjust, compromise, extend or renew any Accounts and Credit Card/Check Processing Receivables;
 - (vi) discharge and release any Accounts and Credit Card/Check Processing Receivables or other Obligations included in the Collateral;
 - (vii) prepare, file and sign such Borrower's name on any proof of claim in bankruptcy or other similar document against an account debtor;
 - (viii) notify the post office authorities to change the address for delivery of such Borrower's mail to an address designated by Agent, and open and dispose of all mail addressed to such Borrower, provided, that, any such mail received by Agent that does not constitute checks or other items of payment shall be forwarded by Agent to such Borrower promptly after receipt by Agent; and
 - (ix) do all acts and things which are necessary, in Agent's good faith determination, to fulfill Borrowers' obligations under this Agreement and the other Financing Agreements; and
- (b) at any time, subject to the terms of the agreement(s) relating to the Blocked Account(s) to:
 - (i) take control in any manner of any item of payment or proceeds thereof;
 - (ii) have access to any lockbox or postal box into which Borrowers' mail is deposited;

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(iii) endorse such Borrower's name upon any items of payment or proceeds thereof and deposit the same in the Agent's account for application to the Obligations;

(iv) endorse such Borrower's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Accounts or Credit Card/Check Processing Receivables or any goods pertaining thereto or any other Collateral;

(v) sign such Borrower's name on any verification of Accounts or Credit Card/Check Processing Receivables and notices thereof to account debtors, Credit Card Issuers or Credit Card/Check Processors; and

(vi) execute in such Borrower's name and file any UCC financing statements or amendments thereto as deemed appropriate by Agent to perfect its security interests in the Collateral.

Each Borrower hereby releases Agent and each Lender and each of their respective officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of the gross negligence or willful misconduct of Agent's or such Lender's or their respective officers, employees or designees as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

7.6 Right to Cure. After the occurrence and during the continuance of an Event of Default, Agent may, at its option, (a) cure any default by any Borrower under any agreement with a third party or pay or bond on appeal any judgment entered against any Borrower, (b) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral and (c) pay any amount, incur any expense or perform any act which, in Agent's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Agent and Lenders with respect thereto. Agent and Lenders may add any amounts so expended to the Obligations and charge Borrowers' account therefor, such amounts to be repayable by Borrowers on demand. Agent and Lenders shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of Borrowers. Any payment made or other action taken by Agent or any Lender under this Section 7.6 shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

7.7 Access to Premises. From time to time as requested by Agent, at the cost and expense of Borrowers, no more than three (3) times in any twelve (12) month period, but at any time or times as Agent may request upon the occurrence and during the continuance of an Event of Default, (a) Agent or its designee shall have complete access to all of Borrowers' premises during normal business hours and after two (2) Business Days prior notice to Borrowers, or at any time and without notice to Borrowers if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of Borrowers' books and records, including, without limitation, the Records, and (b) Borrowers shall promptly furnish to Agent such copies of such books and records or extracts therefrom as Agent may reasonably request, and (c) Agent may use during normal business hours such of Borrowers' personnel, equipment, supplies and premises as may be reasonably necessary for the

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foregoing and if an Event of Default exists or has occurred and is continuing for the collection of Accounts or Credit Card/Check Processing Receivables and realization of other Collateral.

7.8 Real Estate Covenant. With respect to the Real Estate, until repayment of the Term Loan or at any time an Event of Default has occurred and is continuing, upon Agent's request, Borrowers shall, at their expense, no more than one (1) time in any twelve (12) month period, but at any time or times as Agent may request upon the occurrence and during the continuation of an Event of Default, deliver or cause to be delivered to Agent an appraisal as to the Real Estate in form, scope and methodology reasonably acceptable to Agent and by an appraiser acceptable to Agent.

SECTION 8. REPRESENTATIONS AND WARRANTIES.

Each Borrower hereby represents and warrants to Agent and Lenders the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the making of Loans and the providing of Letter of Credit Accommodations by Lender to Borrowers:

8.1 Existence, Power and Authority; Subsidiaries. Each Borrower is a corporation or limited liability company duly organized or formed, as applicable, and in good standing under the laws of its state of incorporation or formation, as applicable, and is duly qualified as a foreign corporation or limited liability company and in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a material adverse effect on such Borrower's financial condition, results of operation or business or the rights of Agent or any Lender in or to any of the Collateral. The execution, delivery and performance of this Agreement, the other Financing Agreements to which any Borrower is a party and the transactions contemplated hereunder and thereunder are all within such Borrower's corporate or limited liability company powers, have been duly authorized and are not in contravention of (a) law or the terms of such Borrower's certificate of incorporation or formation, by-laws or operating agreement, or other organizational documentation, or (b) any indenture, agreement or undertaking to which such Borrower is a party or by which such Borrower or its property are bound, except in the case of this clause (b) as could not reasonable be expected to have a material adverse effect on such Borrower's financial condition, results of operation or business or the rights of Agent or any Lender in or to any of the Collateral. This Agreement and the other Financing Agreements to which any Borrower is a party constitute legal, valid and binding obligations of such Borrower enforceable in accordance with their respective terms. Borrowers do not have any subsidiaries except as set forth on the Information Certificates.

8.2 Financial Statements; No Material Adverse Change. All financial statements relating to Borrowers which have been or may hereafter be delivered by Borrowers to Agent or any Lender have been prepared in accordance with GAAP and fairly present the financial condition and the results of operations of Borrowers as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by Borrowers to Agent or any Lender prior to the date of this Agreement, there has been no material adverse change in the assets, liabilities, properties and condition, financial or otherwise, of Borrowers, since the

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date of the most recent audited financial statements furnished by Borrowers to Agent or any Lender prior to the date of this Agreement.

8.3 Chief Executive Office; Collateral Locations. The chief executive office of Borrowers and Borrowers' Records concerning Accounts and Credit Card/Check Processing Receivables are located only at the address set forth below and their only other places of business and the only other locations of Collateral, if any, are the addresses set forth in the Information Certificates, subject to the right of Borrowers to establish new locations in accordance with Section 9.2 below. The Information Certificates or any notices delivered pursuant to Section 9.2 correctly identify any of such locations which are not owned by Borrowers and set forth the owners and/or operators thereof and, to the best of Borrowers' knowledge, the holders of any mortgages on such locations.

8.4 Priority of Liens; Title to Properties. The security interests and liens granted to Agent, for itself and the ratable benefit of Secured Parties, under this Agreement and the other Financing Agreements to which any Borrower is a party constitute valid and perfected first priority liens and security interests in and upon the Collateral to which such Borrower now has or hereafter acquires rights, subject only to the liens indicated on Schedule 8.4 hereto and the other liens permitted under Section 9.8 hereof. Each Borrower has good and marketable title to all of its properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except those granted to Agent, for itself and the ratable benefit of Secured Parties, and such others as are specifically listed on Schedule 8.4 hereto or permitted under Section 9.8 hereof.

8.5 Tax Returns. Each Borrower has filed, or caused to be filed, in a timely manner all tax returns, reports and declarations which are required to be filed by it (without requests for extension except as previously disclosed in writing to Agent and Lenders). All information in such tax returns, reports and declarations is complete and accurate in all material respects. Each Borrower has paid or caused to be paid prior to delinquency all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid Federal, State, county, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

8.6 Litigation. Except as set forth on the Information Certificates, there is no present investigation by any governmental agency pending, or to the Borrowers' actual knowledge threatened, against or affecting any Borrower, its assets or business and there is no action, suit, proceeding or claim by any Person pending, or to the Borrowers' actual knowledge threatened, against any Borrower or its assets or goodwill, or against or affecting any transactions contemplated by this Agreement, which if adversely determined against Borrowers would result in any material adverse change in the assets or business of Borrowers or would impair the ability of any Borrower to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Agent or any Lender to enforce any Obligations or realize upon a material portion of the Collateral.

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8.7 Compliance with Other Agreements and Applicable Laws. Each Borrower is not in default in any material respect under, or in violation in any material respect of any of the terms of, any material agreement, contract, instrument, lease or other commitment to which it is a party or by which it or any of its assets are bound and each Borrower is in compliance in all material respects with all applicable provisions of laws, rules, regulations, licenses, permits, approvals and orders of any foreign, Federal, State or local Governmental Authority, except with respect to the annual reporting obligations imposed by Sections 103 and 104 of ERISA and Section 6039D of the Code with respect to the Plans (as defined in Section 8.10(a) hereof), as to which obligations Borrowers shall comply promptly.

8.8 Bank Accounts. All of the deposit accounts, investment accounts or other accounts in the name of or used by Borrowers maintained at any bank or other financial institution are set forth on the Information Certificates, subject to the right of Borrowers to establish new accounts in accordance with Section 9.13 below.

8.9 Environmental Compliance.

(a) Except as set forth on Schedule 8.9 hereto, each Borrower has not generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not owned by it) in any manner which at any time violates in any material respect any applicable Environmental Law or any license, permit, certificate, approval or similar authorization thereunder and the operations of Borrowers comply in all material respects with all Environmental Laws and all licenses, permits, certificates, approvals and similar authorizations thereunder.

(b) Except as set forth on Schedule 8.9 hereto, there has been no investigation, proceeding, complaint, order, directive, claim, citation or written notice by any Governmental Authority or any other person nor is any pending or to the best of Borrowers' knowledge threatened, with respect to any non-compliance with or violation of the requirements of any Environmental Law by Borrowers or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter, which affects any Borrower or its business, operations or assets or any properties at which such Borrower has transported, stored or disposed of any Hazardous Materials.

(c) Each Borrower has no material liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials.

(d) Each Borrower has all licenses, permits, certificates, approvals or similar authorizations required to be obtained or filed in connection with the operations of such Borrower under any Environmental Law and all of such licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.

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8.10 Employee Benefits.

(a) Except with respect to the PC Mall, Inc. 401(k) Plan and the PC Mall, Inc. Welfare Benefit Plan (collectively, the "Plans"), each Borrower has not engaged in any transaction in connection with which such Borrower or any of its ERISA Affiliates could be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code, including any accumulated funding deficiency described in Section 8.10(c) hereof and any deficiency with respect to vested accrued benefits described in Section 8.10(d) hereof. With respect to the Plans, each Borrower has not engaged in any transaction in connection with which such Borrower or any of its ERISA Affiliates could be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code and has corrected, or undertaken reasonable efforts to promptly correct, any such transactions it has identified during the course of routine plan administration.

(b) No liability to the Pension Benefit Guaranty Corporation has been or is expected by Borrowers to be incurred with respect to any employee pension benefit plan of Borrowers or any of their ERISA Affiliates. There has been no reportable event (within the meaning of Section 4043(b) of ERISA) or any other event or condition with respect to any employee pension benefit plan of Borrowers or any of their ERISA Affiliates which presents a risk of termination of any such plan by the Pension Benefit Guaranty Corporation.

(c) Full payment has been made of all amounts which Borrowers or any of their ERISA Affiliates are required under Section 302 of ERISA and Section 412 of the Code to have paid under the terms of each employee pension benefit plan as contributions to such plan as of the last day of the most recent fiscal year of such plan ended prior to the date hereof, and no accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, exists with respect to any employee pension benefit plan, including any penalty or tax described in Section 8.10(a) hereof and any deficiency with respect to vested accrued benefits described in Section 8.10(c) hereof.

(d) The current value of all vested accrued benefits under all employee pension benefit plans maintained by Borrowers that are subject to Title IV of ERISA does not exceed the current value of the assets of such plans allocable to such vested accrued benefits, including any penalty or tax described in Section 8.10(a) hereof and any accumulated funding deficiency described in Section 8.10(c) hereof. The terms "current value" and "accrued benefit" have the meanings specified in ERISA.

(e) Neither Borrowers nor any of their ERISA Affiliates is or has ever been obligated to contribute to any "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA) that is subject to Title IV of ERISA.

8.11 Intentionally Omitted.

8.12 Accuracy and Completeness of Information. All information furnished by or on behalf of Borrowers in writing to Agent or any Lender in connection with this Agreement or any of the other Financing Agreements or any transaction contemplated hereby or thereby, including, without limitation, all information on the Information Certificates, when taken as a whole, was

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true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading in light of the circumstances under which such statements were made; provided that with respect to the Projections, Borrowers represent only that such information (a) was prepared in good faith based upon assumptions believed to be reasonable at the time delivered, (b) involves certain risks and uncertainties and (c) projected results may differ materially from those contained in any financial statements, SEC filings or other reports of Borrowers. No event or circumstance has occurred which has had or could reasonably be expected to have a material adverse affect on the business or assets of Borrowers, which has not been fully and accurately disclosed to Agent and Lenders in writing.

8.13 Survival of Warranties; Cumulative. All representations and warranties contained in this Agreement or any of the other Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Agent and Lenders on the date of each additional borrowing or other credit accommodation hereunder and shall be conclusively presumed to have been relied on by Agent and Lenders regardless of any investigation made or information possessed by Agent or any Lender and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit Accommodation is outstanding and so long as the Commitments have not expired or terminated. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which Borrowers shall now or hereafter give, or cause to be given, to Agent and Lenders.

SECTION 9. AFFIRMATIVE AND NEGATIVE COVENANTS.

9.1 Maintenance of Existence. Each Borrower shall at all times preserve, renew and keep in full, force and effect its corporate or limited liability company existence and rights and franchises with respect thereto and maintain in full force and effect all permits, licenses, trademarks, trade names, approvals, authorizations, leases and contracts necessary to carry on the business as presently or proposed to be conducted, except as otherwise permitted under this Agreement. Each Borrower shall give Agent thirty (30) days prior written notice of any proposed change in its corporate or limited liability company name, which notice shall set forth the new name and such Borrower shall deliver to Agent a copy of the amendment to the Certificate of Incorporation or Formation, as applicable, of such Borrower providing for the name change certified by the Secretary of State of the jurisdiction of incorporation or formation of such Borrower as soon as it is available.

9.2 New Collateral Locations. Any Borrower may open any new location within the United States provided such Borrower: (a) gives Agent ten (10) days prior written notice of the intended opening of any such new location; and (b) executes and delivers, or causes to be executed and delivered, to Agent such agreements, documents, and instruments as Agent may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including, without limitation, UCC financing statements and, if such Borrower leases such new location for a term exceeding 120 calendar days, provides a favorable landlord waiver or subordination.

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9.3 Compliance with Laws, Regulations, Etc.

(a) Each Borrower shall, at all times, comply in all material respects with all laws, rules, regulations, licenses, permits, approvals and orders applicable to it and duly observe all requirements of any Governmental Authority, including, without limitation, the Employee Retirement Security Act of 1974, as amended, the Occupational Safety and Hazard Act of 1970, as amended, the Fair Labor Standards Act of 1938, as amended, and all statutes, rules, regulations, orders, permits and stipulations relating to environmental pollution and employee health and safety, including, without limitation, all of the Environmental Laws.

(b) Borrowers shall take prompt and appropriate action to respond to any of Borrowers' non-compliance (to the extent Borrowers have knowledge thereof or would have knowledge thereof upon due inquiry) with any of the Environmental Laws and shall report to Agent on such response.

(c) Borrowers shall give both oral and written notice to Agent immediately upon Borrowers' receipt of any notice of, or Borrowers' otherwise obtaining knowledge of:

(i) the occurrence of any event involving the release, spill or discharge, threatened or actual, of any Hazardous Material by any Borrower or upon any of its premises; or

(ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to:

(A) any non-compliance with or violation of any Environmental Law by any Borrower;

(B) the release, spill or discharge, threatened or actual, of any Hazardous Material by any Borrower or upon any of its premises;

(C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials by any Borrower or upon any of its premises; or

(D) any other environmental, health or safety matter;

in each case, which could have a material adverse effect upon any Borrower or its business, operations or assets or any properties at which any Borrower transported, stored or disposed of any Hazardous Materials; or

(d) Borrowers shall indemnify and hold harmless Agent, Lenders, and their respective directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs, and expenses (including attorneys' fees and legal expenses) directly or indirectly arising out of or attributable to the use, generation, manufacture, reproduction, storage, release, threatened release, spill, discharge, disposal or presence of a Hazardous Material by any Borrower or upon any of its premises, including, without limitation, the costs of any required or necessary repair, cleanup or

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other remedial work with respect to any property of such Borrower and the preparation and implementation of any closure, remedial or other required plans. All representations, warranties, covenants and indemnifications in this Section 9.3 shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

(e) To the extent any of the provisions of this Section 9.3 as they pertain to the Real Estate are inconsistent with the provisions of the deed of trust in favor of Agent and Lenders on the Real Estate, the provisions of such deed of trust shall govern.

9.4 **Payment of Taxes and Claims.** Each Borrower shall duly pay and discharge all taxes, assessments, contributions and governmental charges upon or against it or its properties or assets, except for taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and with respect to which adequate reserves have been set aside on its books. Borrowers shall be liable for any tax or penalties imposed on Agent or any Lender as a result of the financing arrangements provided for herein and Borrowers agree to indemnify and hold Agent and Lenders harmless with respect to the foregoing, and to repay to Agent and Lenders on demand the amount thereof, and until paid by Borrowers such amount shall be added and deemed part of the Loans, provided, that, nothing contained herein shall be construed to require Borrowers to pay any Excluded Taxes. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

9.5 **Insurance.** Borrowers shall, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Agent as to form, amount and insurer. Borrowers shall furnish certificates, policies or endorsements to Agent as Agent shall require as proof of such insurance, and, if Borrowers fail to do so, Agent is authorized, but not required, to obtain such insurance at the expense of Borrowers. All policies shall provide for at least thirty (30) days prior written notice (or such other amount of notice as agreed to by Agent in its Permitted Discretion) to Agent of any cancellation or reduction of coverage and that Agent may act as attorney for Borrowers in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. Borrowers shall cause Agent to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and Borrowers shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Agent. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Agent, for the ratable benefit of Lenders, as its interests may appear and further specify that Agent shall be paid regardless of any act or omission by Borrowers or any of their affiliates. Subject to the provisions of the deed of trust executed by Onsale in favor of Agent, at its option, Agent may apply any insurance proceeds received by Agent at any time to the cost of repairs or replacement of Collateral and/or to payment of the Obligations, whether or not then due, in any order and in such manner as Agent may determine or hold such proceeds as cash collateral for the Obligations.

9.6 Financial Statements and Other Information.

(a) Borrowers shall keep proper books and records in which true and complete entries shall be made of all dealings or transactions of or in relation to the Collateral and the business of Borrowers and their subsidiaries (if any) in accordance with GAAP and Borrowers shall furnish or cause to be furnished to Agent: (i) on or before the earlier of the forty-fifth (45th) day after the end of each fiscal month or, for any fiscal month ending on the last day of a fiscal quarter, the date on which Borrowers file their Form 10Q with the Securities and Exchange Commission for such fiscal quarter, monthly unaudited internally prepared consolidated and consolidating financial statements (including in each case balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity) as of the end of and through such fiscal month, all in reasonable detail, which financial statements shall be prepared honestly and in good faith (provided that where such fiscal month does not end on the last day of a fiscal quarter, Agent understands that such financial statements are based upon preliminary information available at the time of preparation of such financial statements and may therefore not be complete and fairly present the financial position and the results of the operations of Borrowers and their subsidiaries, provided, that, if the average daily Excess Availability during any fiscal quarter (as determined on the dates on which Agent approves the weekly borrowing base certificates provided pursuant to clause (a) of Section 7.1 hereof) is not less than the greater of Ten Million Dollars (\$10,000,000) or ten percent (10%) of the amount available to be borrowed pursuant to clause (a) of Section 2.1 hereof, (but in any event no more than ten percent (10%) of the Maximum Credit) and so long as no Event of Default has occurred and is continuing, then during the immediately following fiscal quarter, such financial statements may be provided on a fiscal quarter basis on or before the earlier of the forty-fifth (45th) day after the end of such fiscal quarter or the date on which Borrowers file their Form 10Q with the Securities and Exchange Commission for such fiscal quarter, (ii) within ninety (90) days after the end of each fiscal year, audited consolidated and consolidating financial statements of Borrowers and their subsidiaries (including in each case balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity), and the accompanying notes thereto, all in reasonable detail, fairly presenting the financial position and the results of the operations of Borrowers and their subsidiaries as of the end of and for such fiscal year, together with the opinion of independent certified public accountants, which accountants shall be an independent accounting firm selected by Borrowers and reasonably acceptable to Agent, that such financial statements have been prepared in accordance with GAAP, and present fairly the results of operations and financial condition of Borrowers and their subsidiaries as of the end of and for the fiscal year then ended, and (iii) at Agent's request, within thirty (30) days after the start of each fiscal year, Projections, in form and substance (including as to scope and underlying assumptions) reasonably satisfactory to Agent, for the forthcoming fiscal year, quarter by quarter. Annual and quarterly financials delivered in accordance with this section 9.6(a) shall be certified by the chief financial officer of PC Mall as being such officer's good faith estimate of the financial performance of Borrowers during the periods covered thereby. Notwithstanding anything to the contrary contained herein, with respect to Projections Borrowers represent only that such information (x) was prepared in good faith based upon assumptions believed to be reasonable at the time delivered, (y) involves certain risks and uncertainties, and (z) projected results may differ materially from those contained in any financial statements, SEC filings or other reports of Borrowers.

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(b) Borrowers shall promptly notify Agent in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim which involves an amount in excess of Two Million Dollars (\$2,000,000) and relates to the Collateral or any other property which is security for the Obligations or which would result in any material adverse change in the Borrowers' business, properties, assets, goodwill or condition, financial or otherwise and (ii) the occurrence of any Event of Default or event which, with the passage of time or giving of notice or both, would constitute an Event of Default.

(c) Borrowers shall promptly after the sending or filing thereof furnish or cause to be furnished to Agent copies of all financial reports which Borrowers send to their stockholders generally and copies of all reports and registration statements which Borrowers file with the Securities and Exchange Commission, any national securities exchange or the Financial Industry Regulatory Authority, Inc.

(d) Borrowers shall furnish or cause to be furnished to Agent such budgets, forecasts, projections and other information in respect of the Collateral and the business of Borrowers, as Agent may, from time to time, reasonably request. Agent and Lenders are hereby authorized to deliver a copy of any financial statement or any other information relating to the business of Borrowers to any court or other government agency with jurisdiction over Agent or such Lenders or, subject to Section 13.5 below, to any participant or assignee or prospective participant or assignee. Any documents, schedules, invoices or other papers delivered to Agent may be destroyed or otherwise disposed of by Agent one (1) year after the same are delivered to Agent, except as otherwise designated by Borrowers to Agent in writing.

(e) So long as an FCCR Triggering Event is ongoing, Borrowers shall deliver a Compliance Certificate at the same time it delivers the financial statements required under Section 9.6(a).

9.7 Sale of Assets, Consolidation, Merger, Dissolution, Etc. Each Borrower shall not, directly or indirectly, (a) merge into or with or consolidate with any other Person or permit any other Person to merge into or with or consolidate with it, provided, that (A) any Borrower may merge into or with or consolidate with any other Borrower upon not less than twenty (20) days prior written notice to Agent and (B) any Borrower may merge into or consolidate with another Person to effect a transaction permitted under Section 9.10(d) below so long as the Borrower is the surviving entity, or (b) unless otherwise consented to by Agent in writing, which consent shall not be unreasonably withheld or delayed, sell, assign, lease, transfer, abandon or otherwise dispose of any capital stock of a subsidiary or indebtedness to any other Person or any of its assets to any other Person (except for (i) sales of Inventory in the ordinary course of business, (ii) the disposition of worn-out or obsolete Equipment or Equipment no longer used in the business of such Borrower so long as (A) if an Event of Default exists or has occurred and is continuing, any proceeds are paid to Agent, for the ratable benefit of Lenders and (B) such sales for all Borrowers do not involve Equipment having an aggregate fair market value in excess of Two Million Dollars (\$2,000,000) for all such Equipment disposed of in any single transaction or in excess of Five Million Dollars (\$5,000,000) for all such Equipment disposed of in any fiscal year of Borrowers and (iii) a sale of the Real Estate to the extent permitted under Section 2.3(c)), or (c) form or acquire any subsidiaries (except as provided in Section 9.10(d) below), or (d) wind up, liquidate or dissolve or (e) agree to do any of the foregoing.

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9.8 Encumbrances. Borrowers shall not create, incur, assume or suffer to exist any security interest, mortgage, pledge, lien, charge or other encumbrance of any nature whatsoever on any of their assets or properties, including, without limitation, the Collateral, except:

- (a) the liens and security interests of Agent for itself and the benefit of Secured Parties;
- (b) liens securing the payment of taxes, either not yet delinquent or the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrowers and with respect to which adequate reserves have been set aside on their books;
- (c) security deposits in the ordinary course of business;
- (d) non-consensual statutory liens (other than liens securing the payment of taxes) arising in the ordinary course of Borrowers' business to the extent:
 - (i) such liens secure indebtedness which is not overdue; or
 - (ii) such liens secure indebtedness relating to claims or liabilities which are fully insured and being defended at the sole cost and expense and at the sole risk of the insurer (subject to applicable deductibles) or being contested in good faith by appropriate proceedings diligently pursued and available to Borrowers, in each case prior to the commencement of foreclosure or other similar proceedings and with respect to which adequate reserves have been set aside on their books;
- (e) zoning restrictions, easements, licenses, covenants and other restrictions affecting the use of real property which do not interfere in any material respect with the use of such real property or ordinary conduct of the business of Borrowers as presently conducted thereon or materially impair the value of the real property which may be subject thereto;
- (f) purchase money security interests in Equipment (including capital leases) and purchase money mortgages on real estate, and any refinancings, modifications, extensions, renewals and replacements thereof, so long as such security interests and mortgages do not apply to any property of Borrowers other than the Equipment or real estate so acquired and any additions or accessions thereto, and the indebtedness secured thereby does not exceed the cost of the Equipment or real estate so acquired, as the case may be;
- (g) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; and
- (h) the security interests and liens set forth on Schedule 8.4 hereto.

9.9 Indebtedness. Borrowers shall not incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any obligations or indebtedness, except:

- (a) the Obligations;

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(b) trade obligations, operating lease obligations and other obligations incurred in the ordinary course of the Borrowers' business and not for borrowed money, together with normal accruals in the ordinary course of business not yet due and payable, or with respect to which the Borrowers are contesting in good faith the amount or validity thereof by appropriate proceedings diligently pursued and available to Borrowers, and with respect to which adequate reserves have been set aside on their books;

(c) purchase money indebtedness (including capital leases) to the extent not incurred or secured by liens (including capital leases) in violation of any other provision of this Agreement;

(d) obligations or indebtedness set forth on Schedule 9.9 hereto; provided, that, (i) Borrowers may only make regularly scheduled payments of principal and interest in respect of such indebtedness in accordance with the terms of the agreement or instrument evidencing or giving rise to such indebtedness as in effect on the date hereof, (ii) Borrowers shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such indebtedness or any agreement, document or instrument related thereto as in effect on the date hereof, or (B) except as otherwise permitted under this Agreement, redeem, retire, defease, purchase or otherwise acquire such indebtedness, or set aside or otherwise deposit or invest any sums for such purpose, and (iii) Borrowers shall furnish to Agent all notices or demands in connection with such indebtedness either received by Borrowers or on their behalf, promptly after the receipt thereof, or sent by Borrowers or on their behalf, concurrently with the sending thereof, as the case may be;

(e) indebtedness of any Borrower to another Borrower;

(f) any obligations or indebtedness of Borrowers on account of the deferred payment of the Total Consideration (as defined in Section 9.10 hereof) or any earn-outs or similar contingent payments in connection with the acquisition of a Target (as defined in Section 9.10 hereof), to the extent permitted in Section 9.10(d) hereof;

(g) indebtedness to the Canadian federal government in an aggregate sum not to exceed Two Million Dollars (\$2,000,000) (Canadian) on account of advances made by the Canadian federal government against rebates payable by it to Borrowers; and

(h) Indebtedness of any Borrower entered into in the ordinary course of business pursuant to a Hedge Agreement; provided, that, (i) such arrangements are with a Bank Product Provider, (ii) such arrangements are not for speculative purposes, and (iii) such Indebtedness shall be unsecured, except to the extent such Indebtedness constitutes part of the Obligations arising under or pursuant to Hedge Agreements with a Bank Product Provider that are secured under the terms hereof.

9.10 Loans, Investments, Guarantees, Etc. Borrowers shall not, directly or indirectly, make any loans or advance money or property to any person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the stock or indebtedness or all or a substantial part of the assets or property of any person, or guarantee, assume, endorse, or

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otherwise become responsible for (directly or indirectly) the indebtedness, performance, obligations or dividends of any Person or agree to do any of the foregoing, except:

- (a) the endorsement of instruments for collection or deposit in the ordinary course of business;
- (b) investments in:
 - (i) short-term direct obligations of the United States Government;
 - (ii) negotiable certificates of deposit issued by any bank satisfactory to Agent, payable to the order of the Borrowers or to bearer and delivered to Agent;
 - (iii) commercial paper rated A1 or P1; provided, that, as to any of the foregoing, unless waived in writing by Lender, Borrowers shall take such actions as are deemed necessary by Agent to perfect the security interest of Agent and Lenders in such investments;
- (c) the guarantees set forth in the Information Certificates;
- (d) Borrowers may (A) acquire not less than a majority of the issued and outstanding capital stock of another Person, or all or substantially all of the assets of another Person or of a division of another Person directly or indirectly through a New Subsidiary (as defined below) or other subsidiary or subsidiaries formed for the purpose of effecting any such acquisition in a single or series of related transactions (each, a "Target"), and (B) form a new wholly-owned subsidiary (a "New Subsidiary") and make investments in such New Subsidiary ("Subsidiary Investments"), subject to the satisfaction in full of all of the following conditions precedent:
 - (i) The subject Target or New Subsidiary (as applicable) shall be in the same or similar type of business as Borrowers;
 - (ii) The aggregate sum of (A) the purchase price for the subject Target and any related Targets plus any other consideration payable in connection with the sale of the Target and any related Targets, excluding any earn-outs and similar contingent payments, excluding any obligations or indebtedness of the Target that are assumed (as permitted by Section 9.9 hereof) and excluding any capital stock of PC Mall (the "Total Consideration") or the amount of the subject Subsidiary Investments (as applicable), plus (B) the aggregate sum of the Total Consideration for all Targets acquired by Borrowers after the date hereof shall not exceed Fifty Million Dollars (\$50,000,000) during the term of this Agreement and Twenty Million Dollars (\$20,000,000) during any fiscal year;
 - (iii) As of the date of the acquisition of the subject Target and any related Targets or the making of the subject Subsidiary Investments (as applicable) and after giving effect thereto, the Average 30 Day Excess Availability would not be less than the Excess Availability Threshold then in effect on such date;
 - (iv) The subject Target shall be acquired in accordance with applicable laws free and clear of any security interest, mortgage, pledge, lien, charge or other encumbrance

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except as permitted in Section 9.8 hereof, and free and clear of any obligations or indebtedness except as permitted in Section 9.9 hereof;

(v) Any portion of the Total Consideration (excluding any earn-outs and similar contingent payments) that is not payable on the closing of the acquisition of the subject Target shall, to the extent a Borrower is obligated to make payment thereof, be subordinated in a manner satisfactory to Agent or, at Borrowers' option, Agent may establish an Availability Reserve for such portion of the Total Consideration;

(vi) The subject Target and the Person acquiring the subject Target or the subject New Subsidiary (as applicable) shall guarantee the Obligations, and the assets and capital stock of the subject Target and such Person or the subject New Subsidiary (as applicable) shall be pledged to Agent, all pursuant to documents in form and substance satisfactory to Agent;

(vii) No Event of Default, or event that with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing or would result from the acquisition of the subject Target or the making of the subject Subsidiary Investments (as applicable);

(viii) Borrowers shall give prior written notice to Agent of the acquisition of the subject Target or the making of the subject Subsidiary Investments as soon as reasonably practicable, but in no event less than fifteen (15) calendar days prior to the closing thereof if the Total Consideration for the subject Target and any related Targets or the amount of the Subsidiary Investments (as applicable) is greater than Five Million Dollars (\$5,000,000);

(ix) Agent shall have received true, correct and complete copies of the acquisition agreement(s) for the subject Target and all exhibits, schedules, documents and other agreements relating thereto, together with such financial and other information concerning the subject Target as Agent may reasonably request; and

(x) Agent shall have received such further agreements, documents and instruments, and such further acts shall have been completed, with respect to the subject Target or New Subsidiary (as applicable), as required by Section 9.17 hereof.

At Borrowers' request, the subject Target or the Person acquiring the subject Target or the subject New Subsidiary (as applicable) may be added as a borrower hereunder, but only at the sole election of Agent. 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:

(xi) Agent's receipt and approval of full written appraisals as to the inventory of the subject Target or New Subsidiary in form, scope and methodology reasonable acceptable to Agent and by an appraiser reasonably acceptable to Agent, addressed to Agent, and upon which Agent is expressly permitted to rely;

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(xii) The completion of a field examination by Agent of the subject Target or New Subsidiary with results reasonably satisfactory to Agent;

(xiii) Such additional eligibility criteria, Availability Reserves and percentage advance rates as Agent shall establish in its commercially reasonable discretion in light of the foregoing appraisals and field examination; and

(xiv) The chief executive office and jurisdiction of organization of the subject Target or New Subsidiary (as applicable) shall be in the United States or Canada, and in any event, only those Accounts generated and invoiced from the United States or Canada and that Inventory located in the United States or Canada may be deemed Eligible Accounts or Eligible Inventory;

(e) any Borrower may make loans or advances to, or investments in, another Borrower, and may guaranty, assume, endorse or otherwise become responsible for the indebtedness or obligations of another Borrower;

(f) Borrowers may make advances to their employees not to exceed Two Million Dollars (\$2,000,000) in the aggregate outstanding at any time;

(g) Borrowers may make loans or advances to, or investments in, PC Mall Canada, Inc., a Quebec corporation, so long as: (i) PC Mall Canada, Inc. is a wholly owned subsidiary of PC Mall; (ii) the aggregate amount of such loans, advances and investments outstanding at any time, does not exceed \$5,000,000 from the date hereof; and (iii) no Event of Default has occurred and is continuing at the time of any such loan, advance or investment, or would result therefrom; and

(h) Borrowers may make acquisitions of or investments in the three properties listed on Schedule 9.10, so long as (i) the aggregate amount of such acquisitions and investments, together with any acquisition costs, property improvements and purchase money financing related thereto, does not exceed \$20,000,000 from the date hereof and (ii) the Borrowers have at least \$10,000,000 in Excess Availability both before and after giving effect to each such acquisition or investment.

9.11 Dividends and Redemptions. Borrowers shall not, directly or indirectly, declare or pay any dividends on account of any shares of any class of capital stock of Borrowers now or hereafter outstanding (except, directly or indirectly, to PC Mall), or set aside or otherwise deposit or invest any sums for such purpose, or redeem, retire, defease, purchase, repurchase, recapitalize or otherwise acquire (except, directly or indirectly, from PC Mall) any shares of any class of capital stock (or set aside or otherwise deposit or invest any sums for such purpose) for any consideration other than common stock or apply or set apart any sum, or make any other distribution (by reduction of capital or otherwise) in respect of any such shares (except, directly or indirectly, to PC Mall) or agree to do any of the foregoing; provided, that, PC Mall may repurchase a portion of its capital stock so long as (a) the aggregate sum of all payments made on account of such repurchases shall not exceed Ten Million Dollars (\$10,000,000) from the date hereof, (b) the Average 30 Day Excess Availability after giving effect to any such repurchase shall not be less than the Excess Availability Threshold then in effect on the date of such

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repurchase, and (c) no Event of Default has occurred and is continuing or would result from any such repurchase.

9.12 Transactions with Affiliates. Borrowers shall not enter into any transaction for the purchase, sale or exchange of property or the rendering of any service to or by any Affiliate, except (a) transactions between Borrowers or (b) in the ordinary course of and pursuant to the reasonable requirements of Borrowers' business and upon fair and reasonable terms no less favorable to the Borrowers than Borrowers would obtain in a comparable arm's length transaction with an unaffiliated person.

9.13 Additional Accounts. Borrowers shall not, directly or indirectly, open, establish or maintain any deposit account, investment account, credit card or check processing account or any other account with any bank or other financial institution, other than the Blocked Accounts and the accounts set forth in Schedule 8.8 hereto, except: (a) as to any new or additional Blocked Accounts and other such new or additional accounts which contain any Collateral or proceeds thereof, with the prior written consent of Agent and subject to such conditions thereto as Agent may establish and (b) as to any accounts used by Borrowers to make payments of payroll, taxes or other obligations to third parties, after prior written notice to Agent.

9.14 Compliance with ERISA. Borrowers shall not with respect to any "employee pension benefit plans" maintained by Borrowers or any of their ERISA Affiliates:

(a) (i) terminate any of such employee pension benefit plans so as to incur any liability to the Pension Benefit Guaranty Corporation established pursuant to ERISA;

(ii) allow or fail to correct promptly after discovery thereof any prohibited transaction involving any of such employee pension benefit plans or any trust created thereunder which would subject Borrowers or such ERISA Affiliate to a tax or penalty or other liability on prohibited transactions imposed under Section 4975 of the Code or ERISA;

(iii) fail to pay to any such employee pension benefit plan any contribution which they are obligated to pay under Section 302 of ERISA, Section 412 of the Code or the terms of such plan;

(iv) allow or suffer to exist any accumulated funding deficiency, whether or not waived, with respect to any such employee pension benefit plan;

(v) allow or suffer to exist any occurrence of a reportable event or any other event or condition which presents a material risk of termination by the Pension Benefit Guaranty Corporation of any such employee pension benefit plan that is a single employer plan, which termination could result in any liability to the Pension Benefit Guaranty Corporation; or

(vi) incur any withdrawal liability with respect to any multiemployer pension plan.

(b) As used in this Section 9.14, the term "employee pension benefit plans," "employee benefit plans", "accumulated funding deficiency" and "reportable event" shall have

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the respective meanings assigned to them in ERISA, and the term "prohibited transaction" shall have the meaning assigned to it in Section 4975 of the Code and ERISA.

9.15 Fixed Charge Coverage Ratio. If as of any date of determination a FCCR Triggering Event shall have occurred, Borrowers shall have a Fixed Charge Coverage Ratio, calculated as of the end of the last quarter immediately preceding such date of determination for which financial statements have most recently been delivered pursuant to Section 9.6(a)(i) (the "Subject Quarter"), of at least the required amount set forth in the following table for the applicable period set forth opposite thereto:

<u>Applicable Ratio</u>	<u>Applicable Period</u>
0.75:1.0	For the 3 month period ending June 30, 2010
0.75:1.0	For the 6 month period ending September 30, 2010
0.75:1.0	For the 9 month period ending December 31, 2010
0.75:1.0	For the 12 month period ending March 30, 2011
0.75:1.0	For the 12 month period ending June 30, 2011
0.75:1.0	For the 12 month period ending September 30, 2011
1.0:1.0	For the 12 month period ending December 31, 2011, and for the 12 month period ending at the end of each quarter thereafter

9.16 Costs and Expenses. Borrowers shall pay to Agent, for itself and the ratable benefit of Secured Parties, on demand all reasonable costs, expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Agent's and Lenders' rights in the Collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including, but not limited to:

(a) all reasonable costs and expenses of filing or recording (including Uniform Commercial Code financing statement filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable);

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(b) all reasonable costs and expenses and fees for title insurance and other insurance premiums, environmental audits, surveys, assessments, engineering reports and inspections, appraisal fees and search fees;

(c) reasonable costs and expenses of remitting loan proceeds, collecting checks and other items of payment, and establishing and maintaining the Blocked Accounts, together with Agent's and Lender's customary charges and fees with respect thereto;

(d) customary charges, fees or expenses charged by any bank or issuer in connection with the Letter of Credit Accommodations;

(e) reasonable costs and expenses of preserving and protecting the Collateral;

(f) reasonable costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Agent, for itself and the ratable benefit of Secured Parties, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against Agent and/or Lenders arising out of the transactions contemplated hereby and thereby (including, without limitation, preparations for and consultations concerning any such matters);

(g) all reasonable out-of-pocket expenses and costs incurred by Agent's examiners or internal or external auditors in the conduct of their periodic field examinations of the Collateral and Borrowers' operations, plus a per diem charge at the rate of One Thousand Dollars (\$1,000) per person per day for such examiners or internal or external auditors in the field and office; and

(h) the reasonable fees and disbursements of counsel (including legal assistants) to Agent in connection with any of the foregoing.

9.17 Further Assurances. At the request of Agent or any Lender at any time and from time to time, Borrowers shall, at their expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper 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 this Agreement or any of the other Financing Agreements. Agent may at any time and from time to time request a certificate from an officer of Borrowers representing on behalf of Borrowers that all conditions precedent to the making of Loans and providing Letter of Credit Accommodations contained herein are satisfied. In the event of such request by Agent, Agent and Lenders may, at Agent's option, cease to make any further Loans or provide any further Letter of Credit Accommodations until Agent has received such certificate and, in addition, Agent has determined that such conditions are satisfied. Where permitted by law, Borrowers hereby authorizes Agent and any Lender to execute and file one or more UCC financing statements signed only by Agent and any Lender as deemed appropriate by Agent to perfect Agent's and Lender's security interests in the Collateral.

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SECTION 10. EVENTS OF DEFAULT AND REMEDIES.

10.1 Events of Default. The occurrence or existence of any one or more of the following events are referred to herein individually as an "Event of Default," and collectively as "Events of Default":

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

(b) any representation, warranty or statement of fact made by any Borrower to Agent or any Lender in this Agreement, the other Financing Agreements or any other agreement, schedule, confirmatory assignment or otherwise shall when made or deemed made be false or misleading in any material respect;

(c) any Obligor revokes, terminates or fails to perform any of the terms, covenants, conditions or provisions of any guarantee, endorsement or other agreement of such party in favor of Agent or any Lender;

(d) any judgment for the payment of money (excluding any portion thereof covered by insurance) is rendered against any of Borrowers or Obligors in excess of One Million Dollars (\$1,000,000) in any one case or in excess of Five Million Dollars (\$5,000,000) in the aggregate and shall remain undischarged or unvacated for a period in excess of thirty (30) days or execution shall at any time not be effectively stayed, or any material judgment other than for the payment of money, or injunction, attachment, garnishment or execution is rendered against any of Borrowers or Obligors or any of their assets;

(e) any Obligor (being a natural person or a general partner of an Obligor which is a partnership) dies or any Borrower or any Obligor, which is a partnership, limited liability company, or corporation, dissolves or suspends or discontinues doing business;

(f) any Borrowers or any Obligor becomes insolvent (however defined or evidenced), makes an assignment for the benefit of creditors, makes or sends notice of a bulk transfer or calls a meeting of its creditors or principal creditors;

(g) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed against any Borrower or any Obligor or all or any part of its properties and such petition or application is not dismissed within forty five (45) days after the date of its filing or any Borrower or any Obligor shall file any answer admitting or not

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contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;

(h) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed by any Borrower or any Obligor or for all or any part of its property;

(i) any default by any Borrower or any Obligor under any agreement, document or instrument relating to any indebtedness for borrowed money or secured indebtedness owing to any person other than Agent or any Lender, or any capitalized lease obligations, contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favor of any person other than Lender, in excess of Five Million Dollars (\$5,000,000) in the aggregate, which default continues for more than the applicable cure period, if any, with respect thereto, or any default by any Borrower or any Obligor under any material contract, lease, license or other obligation to any person other than Agent and Lenders, which default continues for more than the applicable cure period, if any, with respect thereto, unless (in each case and without limiting Agent's rights to establish Availability Reserves for any such defaults) such defaults are being contested in good faith by appropriate proceedings diligently pursued;

(j) the acquisition by any Person (other than Frank Khulusi or Sam Khulusi) of the capital stock of PC Mall if the effect of such acquisition is that such Person together with any of its affiliates hold, directly or indirectly, fifty percent (50%) or more of the issued and outstanding capital stock of PC Mall;

(k) the indictment or conviction of any Borrower or any Obligor under any criminal statute, pursuant to which statute the penalties or remedies sought or available may reasonably be expected to lead to forfeiture of any of the property of such Borrower or such Obligor; or

(l) there shall be an Event of Default as defined in any of the other Financing Agreements.

10.2 Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, Agent and Lenders shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the Uniform Commercial Code and other applicable law, all of which rights and remedies may be exercised without notice to or consent by any Borrower or any Obligor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Agent and Lenders hereunder, under any of the other Financing Agreements, the Uniform Commercial Code or other applicable law, are cumulative, not exclusive and enforceable, in Agent's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by

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Borrowers of this Agreement or any of the other Financing Agreements. Subject to Section 12 hereof, Agent shall, upon the direction of the Required Lenders, at any time or times an Event of Default has occurred and is continuing, proceed directly against Borrowers or any Obligor to collect the Obligations without prior recourse to the Collateral.

(b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Agent may, and upon the direction of the Required Lenders, shall (i) accelerate the payment of all Obligations and demand immediate payment thereof to Agent, for the ratable benefit of Lenders (provided, that, upon the occurrence of any Event of Default described in Sections 10.1(g) and 10.1(h), all Obligations shall automatically become immediately due and payable), (ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral, (iii) require Borrowers, at Borrowers' expense, to assemble and make available to Agent any part or all of the Collateral at any place and time designated by Agent, (iv) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose, (vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including, without limitation, entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Agent or elsewhere) at such prices or terms as Agent may deem reasonable, for cash, upon credit or for future delivery, with the Agent or any Lender having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of Borrowers, which right or equity of redemption is hereby expressly waived and released by Borrowers and/or (vii) terminate this Agreement. If any of the Collateral is sold or leased by Agent upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Agent, for the ratable benefit of Lenders. If notice of disposition of Collateral is required by law, ten (10) days prior notice by Agent to Borrowers designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and Borrowers waives any other notice. In the event Agent institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, Borrowers waive the posting of any bond which might otherwise be required.

(c) Agent may apply the cash proceeds of Collateral actually received by it from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations, in whole or in part and in such order as Agent may elect, whether or not then due. Borrowers shall remain liable to Agent and Lenders for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of collection or enforcement, including attorneys' fees and legal expenses.

(d) Without limiting the foregoing, upon the occurrence of an Event of Default, Agent may, and upon the direction of the Required Lenders, shall, without notice, (i) cease making Loans or arranging Letter of Credit Accommodations or reduce the lending formulas or amounts of Loans and Letter of Credit Accommodations available to Borrowers

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and/or (ii) terminate any provision of this Agreement providing for any future Loans or Letter of Credit Accommodations to be made by Agent or Lenders to Borrowers.

SECTION 11. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW.

11.1 Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver; Judicial Reference.

(a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of California (without giving effect to principles of conflicts of law).

(b) Borrowers, Agent and Lenders irrevocably consent and submit to the non-exclusive jurisdiction of the state courts of the County of Los Angeles, State of California and of the United States District Court for the Central District of California and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Financing Agreements or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or any of the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that Agent or any Lender shall have the right to bring any action or proceeding against Borrowers or their property in the courts of any other jurisdiction which such Person deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Borrowers or their property).

(c) Borrowers hereby waive personal service of any and all process upon them and consent that all such service of process may be made by certified mail (return receipt requested) directed to their address set forth on the signature pages hereof and service so made shall be deemed to be completed five (5) Business Days after the same shall have been so deposited in the U.S. mails, or, at Agent's or any Lender's option, by service upon Borrowers in any other manner provided under the rules of any such courts. Within thirty (30) days after such service or such other period as provided by applicable law, Borrowers shall appear in answer to such process, failing which Borrowers shall be deemed in default and judgment may be entered by Agent or any Lender against Borrowers for the amount of the claim and other relief requested.

(d) BORROWERS, AGENT AND EACH LENDER HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. BORROWERS, AGENT AND EACH LENDER HEREBY AGREE AND

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CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Neither Agent nor any Lender shall have any liability to Borrowers (whether in tort, contract, equity or otherwise) for losses suffered by Borrowers in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on such Person, that the losses were the result of acts or omissions constituting gross negligence or willful misconduct.

(f) If any action or proceeding is filed in a court of the State of California by or against any party hereto in connection with any of the transactions contemplated by this Agreement or any other Financing Agreement, (a) the court shall, and is hereby directed to, make a general reference pursuant to California Code of Civil Procedure Section 638 to a referee or referees to hear and determine all of the issues in such action or proceeding (whether of fact or of law) and to report a statement of decision, provided that at the option of Agent, any such issues pertaining to a provisional remedy' as defined in California Code of Civil Procedure Section 1281.8 shall be heard and determined by the court, and (b) Borrowers shall be solely responsible to pay all fees and expenses of any referee appointed in such action or proceeding.

11.2 Waiver of Notices. Borrowers hereby expressly waive demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein and except to the extent such waiver is prohibited by applicable law. No notice to or demand on Borrowers which Agent or any Lender may elect to give shall entitle Borrowers to any other or further notice or demand in the same, similar or other circumstances.

11.3 Amendments and Waivers.

(a) Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed as provided in Section 11.3(b) hereof. Neither Agent nor any Lender shall, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of such Person as provided in Section 11.3(b) hereof. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Agent or any Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Agent or any Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

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(b) Neither this Agreement nor any other Financing Agreement (other than the Fee Letter) nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by Agent and the Required Lenders, and as to amendments to any of the Financing Agreements, by Borrowers; except, that, any change, waiver, discharge or termination with respect to the following shall require the consent of Agent and all Lenders:

(i) the extension of the Final Maturity Date or the due dates for principal payments on the Term Loans;

(ii) reduction in the interest rate or any fees or the extension of the time of payment of interest or any fees or reduction in the principal amount of any Loan or Letter of Credit Accommodations;

(iii) increase in the Commitment of any Lender over the amount thereof then in effect or provided hereunder (it being understood that a waiver of any Event of Default shall not constitute a change in the terms of any Commitment of any Lender);

(iv) the release of any Collateral (except as expressly required by the Financing Agreements and except as permitted under Section 12.11(b) hereof);

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

(vi) the consent to the assignment or transfer by any Borrower of any of its rights and obligations under this Agreement; or

(vii) the increase in the advance rates or the sublimits set forth in Section 2.1(a) hereof.

(c) Notwithstanding anything to the contrary contained in Section 11.3(b) above, in the event that Borrowers request that this Agreement or any other Financing Agreements be amended or otherwise modified in a manner which would require the unanimous consent of all of the Lenders and such amendment or other modification is agreed to by the Required Lenders, then, with the consent of Borrowers and the Required Lenders, Borrowers and the Required Lenders may amend this Agreement without the consent of the Lender or Lenders which did not agree to such amendment or other modification (collectively, the "Minority Lenders") to provide for (i) the termination of the Commitment of each of the Minority Lenders, (ii) the addition to this Agreement of one or more other Lenders, or an increase in the Commitment of one or more of the Required Lenders, so that the Commitments, after giving effect to such amendment, shall be in the same aggregate amount as the Commitments immediately before giving effect to such amendment, (iii) if any Loans are outstanding at the time of such amendment, the making of such additional Loans by such new Lenders or Required Lenders, as the case may be, as may be necessary to repay in full the outstanding Loans of the Minority Lenders immediately before giving effect to such amendment and (iv) the payment of all interest, fees and other Obligations payable or accrued in favor of the Minority Lenders and

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such other modifications to this Agreement as Borrowers and the Required Lenders may determine to be appropriate.

(d) The consent of Agent shall be required for any amendment, waiver or consent affecting the rights or duties of Agent hereunder or under any of the other Financing Agreements, in addition to the consent of the Lenders otherwise required by this Section.

11.4 Waiver of Counterclaims. Borrowers waive all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other than compulsory counterclaims) in any action or proceeding with respect to this Agreement, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

11.5 Indemnification. Borrowers shall indemnify and hold Agent and each Lender, and its directors, agents, employees and counsel (each an "Indemnified Party"), harmless from and against any and all losses, claims, damages, liabilities, costs or expenses imposed on, incurred by or asserted against any of them (unless arising from the gross negligence or willful misconduct of any Indemnified Party) in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including, without limitation, amounts paid in settlement, court costs, and the fees and expenses of counsel. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section 11.5 may be unenforceable because it violates any law or public policy, Borrowers shall pay the maximum portion which they are permitted to pay under applicable law to Agent and Lenders in satisfaction of indemnified matters under this Section 11.5. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

SECTION 12. THE AGENT

12.1 Appointment; Powers and Immunities. Each Lender hereby irrevocably designates, appoints and authorizes Wells Fargo Capital Finance, LLC to act as Agent hereunder and under the other Financing Agreements with such powers as are specifically delegated to Agent by the terms of this Agreement and of the other Financing Agreements, together with such other powers as are reasonably incidental thereto. Agent: (a) shall have no duties or responsibilities except those expressly set forth in this Agreement and in the other Financing Agreements, and shall not by reason of this Agreement or any other Financing Agreement be a trustee or fiduciary for any Lender; (b) shall not be responsible to Lenders for any recitals, statements, representations or warranties contained in this Agreement or in any other Financing Agreement, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or any other Financing Agreement, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Financing Agreement or any other document referred to or provided for herein or therein or for any failure by any Borrower or any Obligor or any other Person to perform any of its obligations hereunder or thereunder; and (c) shall not be responsible to Lenders for any action taken or omitted to be taken by it hereunder or under any other Financing Agreement or under any other document or instrument referred to or provided for herein or therein or in connection herewith or

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therewith, except for its own gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction. Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. Agent may deem and treat the payee of any note as the holder thereof for all purposes hereof unless and until the assignment thereof pursuant to an agreement (if and to the extent permitted herein) in form and substance satisfactory to Agent shall have been delivered to and acknowledged by Agent.

12.2 Reliance By Agent. Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopy, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Agent. As to any matters not expressly provided for by this Agreement or any other Financing Agreement, Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or thereunder in accordance with instructions given by the Required Lenders or all of Lenders as is required in such circumstance, and such instructions of such Lenders and any action taken or failure to act pursuant thereto shall be binding on all Lenders.

12.3 Events of Default.

(a) Agent shall not be deemed to have knowledge or notice of the occurrence of an Event of Default or other failure of a condition precedent to the Loans and Letter of Credit Accommodations hereunder, unless and until Agent has received written notice from a Lender, a Borrower or any Obligor specifying such Event of Default or any unfulfilled condition precedent, and stating that such notice is a "Notice of Default or Failure of Condition". In the event that Agent receives such a notice, Agent shall give prompt notice thereof to the Lenders. Agent shall (subject to Section 12.7) take such action with respect to any such Event of Default or failure of condition precedent as shall be directed by the Required Lenders; provided, that, unless and until Agent shall have received such directions, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to or by reason of such Event of Default or failure of condition precedent, as it shall deem advisable in the best interest of Lenders. Without limiting the foregoing, and notwithstanding the existence or occurrence and continuance of an Event of Default or any other failure to satisfy any of the conditions precedent set forth in Section 4 of this Agreement to the contrary, Agent may, but shall have no obligation to, continue to make Loans and issue or cause to be issued Letter of Credit Accommodations for the ratable account and risk of Lenders from time to time if Agent believes making such Loans or issuing or causing to be issued such Letter of Credit Accommodations is in the best interests of Lenders.

(b) Except with the prior written consent of Agent, no Lender may assert or exercise any enforcement right or remedy in respect of the Loans, Letter of Credit Accommodations or other Obligations, as against any Borrower or any Obligor or any of the Collateral or other property of any Borrower or any Obligor.

12.4 WFCF in its Individual Capacity. With respect to its Commitment and the Loans made and Letter of Credit Accommodations issued or caused to be issued by it (and any

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successor acting as Agent), so long as Wells Fargo Capital Finance, LLC shall be a Lender hereunder, it shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include Wells Fargo Capital Finance, LLC in its individual capacity as Lender hereunder. Wells Fargo Capital Finance, LLC (and any successor acting as Agent) and its Affiliates may (without having to account therefor to any Lender) lend money to, make investments in and generally engage in any kind of business with Borrowers and Obligors (and any of their respective Subsidiaries or Affiliates) as if it were not acting as Agent, and Wells Fargo Capital Finance, LLC and its Affiliates may accept fees and other consideration from Borrowers and Obligors for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

12.5 Indemnification. Lenders agree to indemnify Agent (to the extent not reimbursed by Borrowers hereunder and without limiting the Obligations of Borrowers hereunder) ratably, in accordance with their Pro Rata Shares, for any and all claims of any kind and nature whatsoever that may be imposed on, incurred by or asserted against Agent (including by any Lender) arising out of or by reason of any investigation in or in any way relating to or arising out of this Agreement or any other Financing Agreement or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (including the costs and expenses that Agent is obligated to pay hereunder) or the enforcement of any of the terms hereof or thereof or of any such other documents, provided, that, no Lender shall be liable for any of the foregoing to the extent it arises from the gross negligence or willful misconduct of the party to be indemnified as determined by a final non-appealable judgment of a court of competent jurisdiction.

12.6 Non-Reliance on Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of each Borrower and Obligors and has made its own decision to enter into this Agreement and that it will, independently and without reliance upon Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the other Financing Agreements. Agent shall not be required to keep itself informed as to the performance or observance by any Borrower or any Obligor of any term or provision of this Agreement or any of the other Financing Agreements or any other document referred to or provided for herein or therein or to inspect the properties or books of any Borrower or any Obligor. Agent will use reasonable efforts to provide Lenders with any information received by Agent from any Borrower or any Obligor which is required to be provided to Lenders hereunder and with a copy of any "Notice of Default or Failure of Condition" received by Agent from any Borrower, any Obligor or any Lender; provided, that, Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's own gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction. Except for notices, reports and other documents expressly required to be furnished to Lenders by Agent hereunder, Agent shall not have any duty or responsibility to provide any Lender with any other credit or other information concerning the affairs, financial condition or business of any Borrower or any Obligor that may come into the possession of Agent.

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12.7 Failure to Act. Except for action expressly required of Agent hereunder and under the other Financing Agreements, Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from Lenders of their indemnification obligations under Section 12.5 hereof against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

12.8 Additional Loans. Agent shall not make any Revolving Loans or provide any Letter of Credit Accommodations to any Borrower on behalf of Lenders intentionally and with actual knowledge that such Loans or Letter of Credit Accommodations would cause the aggregate amount of the total outstanding Loans and Letter of Credit Accommodations to Borrowers to exceed the amount set forth in Section 2.1(a) hereof (the "Borrowing Base"), without the prior consent of all Lenders, ~~except, that~~ Agent may make such additional Loans or provide such additional Letter of Credit Accommodations on behalf of Lenders, intentionally and with actual knowledge that such Loans or Letter of Credit Accommodations will cause the total outstanding Loans and Letter of Credit Accommodations to Borrowers exceed the Borrowing Base as Agent may deem necessary or advisable in its discretion, provided, that: (a) the total principal amount of the additional Loans or additional Letter of Credit Accommodations to any Borrower which Agent may make or provide after obtaining such actual knowledge that the aggregate principal amount of the Loans equal or exceed the Borrowing Base shall not exceed the amount equal to ten percent (10%) of the Borrowing Base at the time and shall not cause the total outstanding principal amount of the Loans, Letter of Credit Accommodations and Special Agent Advances to exceed the Maximum Credit and (b) without the consent of all Lenders, Agent shall not make any such additional Loans or Letter of Credit Accommodations more than ninety (90) days from the date of the first such additional Loans or Letter of Credit Accommodations. Each Lender shall be obligated to pay Agent the amount of its Pro Rata Share of any such additional Loans or Letter of Credit Accommodations provided that Agent is acting in accordance with the terms of this Section 12.8.

12.9 Concerning the Collateral and the Related Financing Agreements. Each Lender authorizes and directs Agent to enter into this Agreement and the other Financing Agreements relating to the Collateral, for the ratable benefit of Lenders and Agent. Each Lender agrees that any action taken by Agent or Required Lenders in accordance with the terms of this Agreement or the other Financing Agreements relating to the Collateral, and the exercise by Agent or Required Lenders of their respective powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

12.10 Field Audits; Examination Reports and other Information; Disclaimer by Lenders. By signing this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish Lender, promptly after it becomes available, a copy of each field audit or examination report and a weekly report with respect to the Borrowing Base prepared by Agent (each field audit or examination report and weekly report with respect to the Borrowing Base (as defined in Section 12.8 hereof) being referred to herein as a "Report" and collectively, the "Reports");

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(b) expressly agrees and acknowledges that Agent (i) does not make any representation or warranty as to the accuracy of any Report, or (ii) shall not be liable for any information contained in any Report; provided, that, nothing contained in this Section 12.10 shall be construed to limit the liability of Agent under Section 12.1(c) hereof in the event of the gross negligence or willful misconduct of Agent as determined pursuant to a final non-appealable order of a court of competent jurisdiction;

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that Agent or other party performing any audit or examination will inspect only specific information regarding Borrowers and Obligors and will rely significantly upon each Borrower's books and records, as well as on representations of each Borrower's personnel; and

(d) agrees to keep all Reports confidential and strictly for its internal use in accordance with the terms of Section 13.7 hereof, and not to distribute or use any Report in any other manner.

12.11 Collateral Matters.

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

(b) Lenders hereby irrevocably authorize Agent, at its option and in its discretion to release any security interest in, mortgage or lien upon, any of the Collateral (i) upon

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

(c) Without any manner limiting Agent's authority to act without any specific or further authorization or consent by the Required Lenders, each Lender agrees to confirm in writing, upon request by Agent, the authority to release Collateral conferred upon Agent under this Section. Agent shall (and is hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the security interest, mortgage or liens granted to Agent for itself and the benefit of the Lenders upon any Collateral to the extent set forth above; provided, that, (i) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create any obligations or entail any consequence other than the release of such security interest, mortgage or liens without recourse or warranty and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any security interest, mortgage or lien upon (or obligations of any Borrower in respect of) the Collateral retained by any Borrower.

(d) Agent shall have no obligation whatsoever to any Lender or any other Person to investigate, confirm or assure that the Collateral exists or is owned by any Borrower or any Obligor or is cared for, protected or insured or has been encumbered, or that any particular items of Collateral meet the eligibility criteria applicable in respect of the Loans or Letter of Credit Accommodations hereunder, or whether any particular reserves are appropriate, or that the liens and security interests granted to Agent herein or pursuant hereto or otherwise have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this Agreement or in any of the other Financing Agreements, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in the Collateral as a Lender and that Agent shall have no duty or liability whatsoever to any other Lender.

12.12 Agency for Perfection. Agent and each Lender hereby appoints each Lender as agent for the purpose of perfecting the security interests in and liens upon the Collateral of Agent for itself and the ratable benefit of Secured Parties in assets which, in accordance with Article 9 of the UCC can be perfected only by possession. Should any Lender obtain possession of any

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such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver such Collateral to Agent or in accordance with Agent's instructions.

SECTION 13. TERM OF AGREEMENT; MISCELLANEOUS.

13.1 Term.

(a) This Agreement and the other Financing Agreements shall become effective as of the date set forth on the first page hereof and shall continue in full force and effect for a term ending on the Final Maturity Date, unless sooner terminated pursuant to the terms hereof. Upon the effective date of termination of this Agreement and the other Financing Agreements, Borrowers shall pay to Agent, for the ratable benefit of the Secured Parties, in full, all outstanding and unpaid non-contingent Obligations and shall furnish cash collateral to Agent, (or at Agent's option, a letter of credit issued for the account of Borrowers and at Borrowers' expense, in form and substance satisfactory to Agent, by an issuer acceptable to Agent and payable to Agent as beneficiary, for the ratable benefit of Lenders) in such amounts as Agent determines are reasonably necessary to secure (or reimburse) Agent and Lenders from loss, cost, damage or expense, including attorneys' fees and legal expenses, in connection with any contingent Obligations, including issued and outstanding Letter of Credit Accommodations and checks or other payments provisionally credited to the Obligations and/or as to which Agent and Lenders have not yet received final and indefeasible payment and any of the Obligations arising under or in connection with any Bank Products in such amounts as the Bank Product Provider providing such Bank Products may require (unless such Obligations arising under or in connection with any Bank Products are paid in full in cash and terminated in a manner satisfactory to such Bank Product Provider). Such payments in respect of the Obligations and cash collateral shall be remitted by wire transfer in federal funds to such bank account of Agent, as Agent may, in its discretion, designate in writing to Borrowers for such purpose. Interest shall be due until and including the next Business Day, if the amounts so paid by any Borrower to the bank account designated by Agent are received in such bank account later than 12:00 noon, Los Angeles time.

(b) No termination of this Agreement or the other Financing Agreements shall relieve or discharge any Borrower of its respective duties, obligations and covenants under this Agreement or the other Financing Agreements until all Obligations have been fully and finally discharged and paid, provided, that, Lender shall terminate its security interests in the Collateral upon the payments and furnishing of cash collateral by Borrowers to Lender in the full sums required in Section 13.1(a) above.

(c) If for any reason this Agreement is terminated prior to the Final Maturity Date, in view of the impracticality and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of Agent's and Lenders' lost profits as a result thereof, Borrowers agree to pay to Agent, for itself and the ratable benefit of Lenders, upon the effective date of such termination, an early termination fee in the amount set forth below if such termination is effective in the period indicated:

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Amount	Period
(i) 0.25% of the Maximum Credit as in effect on the date of such termination	To and including December 13, 2011
(ii) 0.125% of the Maximum Credit as in effect on the date of such termination	After December 13, 2011 to and including December 13, 2012
(iii) \$0	After December 13, 2012

Such early termination fee shall be presumed to be the amount of damages sustained by Agent and Lenders as a result of such early termination and Borrowers agree that it is reasonable under the circumstances currently existing. Agent and Lenders shall be entitled to such early termination fee upon the occurrence of any Event of Default described in Sections 10.1(g) and 10.1(h) hereof, even if Agent and Lenders do not exercise their right to terminate this Agreement, but elect, at their option, to provide financing to Borrowers or permit the use of cash collateral under the United States Bankruptcy Code. The early termination fee provided for in this Section 13.1 shall be deemed included in the Obligations.

13.2 Notices. All notices, requests and demands hereunder shall be in writing and (a) made to Agent and Lenders at their respective addresses set forth below and to Borrowers at their chief executive office set forth below, or to such other address as either party may designate by written notice to the other in accordance with this provision, and (b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by telex, telegram or facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next Business Day, one (1) Business Day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

13.3 Partial Invalidity. If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

13.4 Successors. This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon and inure to the benefit of and be enforceable by Agent, Lenders, Borrowers and their respective successors and assigns, except that Borrowers may not assign its rights under this Agreement, the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Agent and the Required Lenders. No Lender may assign its rights and obligations under this Agreement (or any part thereof) without the prior written consent of all Lenders and Agent, except as permitted under Section 13.5 hereof. Any purported assignment by a Lender without such prior express consent or compliance with Section 13.5 where applicable, shall be void. The terms and provisions of this Agreement and the other Financing Agreements are for the purpose of defining the relative rights and obligations of Borrowers, Obligors, Agent and Lenders with respect to the transactions contemplated hereby and there shall be no third party beneficiaries of any of the terms and provisions of this Agreement or any of the other Financing Agreements

13.5 Assignments and Participations.

(a) Each Lender may (i) assign all or a portion of its rights and obligations under this Agreement (including, without limitation, a portion of its Commitment, the Loans owing to it and its rights and obligations as a Lender with respect to Letters of Credit Accommodations) and the other Financing Agreements; to its parent company and/or any Affiliate of such Lender which is at least fifty (50%) percent owned by such Lender or its parent company or to one or more Lenders or (ii) assign all, or if less than all a portion equal to at least \$5,000,000 in the aggregate for the assigning Lender or assigning Lenders, of such rights and obligations under this Agreement to one or more Eligible Transferees, each of which assignees shall become a party to this Agreement as a Lender by execution of an Assignment and Acceptance; provided, that, (A) the consent of Agent shall be required in connection with any assignment to an Eligible Transferee pursuant to clause (ii) above, (B) if such Eligible Transferee is not a bank, Agent shall receive a representation in writing by such Eligible Transferee that either (1) no part of its acquisition of its Loans is made out of assets of any employee benefit plan, or (2) after consultation, in good faith, with Borrowers and provision by Borrowers of such information as may be reasonably requested by such Eligible Transferee, the acquisition and holding of such Commitments and Loans does not constitute a non-exempt prohibited transaction under Section 406 of ERISA and Section 4975 of the Code, or (3) such assignment is an "insurance company general account," as such term is defined in the Department of Labor Prohibited Transaction Class Exemption 95.60 (issued July 12, 1995) ("PTCE 95-60"), and, as of the date of the assignment, there is no "employee benefit plan" with respect to which the aggregate amount of such general account's reserves and liabilities for the contracts held by or on behalf of such "employee benefit plan" and all other "employee benefit plans" maintained by the same employer (and affiliates thereof as defined in Section V(a)(1) of PTCE 95-60) or by the same employee organization (in each case determined in accordance with the provisions of PTCE 95-60) exceeds ten percent (10%) of the total reserves and liabilities of such general account (as determined under PTCE 95-60) (exclusive of separate account liabilities) plus surplus as set forth in the National Association of Insurance Commissioners Annual Statement filed with the state of domicile of such Eligible Transferee and (C) such transfer or assignment will not be effective until recorded by the Agent on the Register. As used in this Section, the term "employee benefit plan" shall have the meaning assigned to it in Title I of ERISA and shall also include a "plan" as defined in Section 4975(e)(1) of the Code.

(b) Agent shall maintain a register of the names and addresses of Lenders, their Commitments and the principal amount of their Loans (the "Register"). Agent shall also maintain a copy of each Assignment and Acceptance delivered to and accepted by it and shall modify the Register to give effect to each Assignment and Acceptance. Upon its receipt of each Assignment and Acceptance, Agent will give prompt notice thereof to Lenders and deliver to each of them a copy of the executed Assignment and Acceptance. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and Borrowers, Obligors, Agent and Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrowers, Obligors and any Lender at any reasonable time and from time to time upon reasonable prior notice.

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(c) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (i) the assignee thereunder shall be a party hereto and to the other Financing Agreements and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations (including, without limitation, the obligation to participate in Letter of Credit Accommodations) of a Lender hereunder and thereunder and (ii) the assigning Lender shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement.

(d) By execution and delivery of an Assignment and Acceptance, the assignor and assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, the assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any of the other Financing Agreements or the execution, legality, enforceability, genuineness, sufficiency or value of this Agreement or any of the other Financing Agreements furnished pursuant hereto, (ii) the assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrowers, Obligors or any of their respective Subsidiaries or the performance or observance by any Borrower or any Obligor of any of the Obligations; (iii) such assignee confirms that it has received a copy of this Agreement and the other Financing Agreements, together with such other documents and information it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (iv) such assignee will, independently and without reliance upon the assigning Lender, Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Financing Agreements, (v) such assignee appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Financing Agreements as are delegated to Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement and the other Financing Agreements are required to be performed by it as a Lender. Subject to Section 13.7, Agent and Lenders may furnish any information concerning Borrowers, Obligors or their respective Subsidiaries in the possession of Agent or any Lender from time to time to assignees and Participants.

(e) Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement and the other Financing Agreements (including, without limitation, all or a portion of its Commitments and the Loans owing to it and its participation in the Letter of Credit Accommodations, without the consent of Agent or the other Lenders); provided, that, (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment hereunder) and the other Financing Agreements shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and Borrowers, Obligors, Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Financing Agreements, (iii) the Participant shall not have any rights under this Agreement or any of the other Financing

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Agreements (the Participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the Participant relating thereto) and all amounts payable by any Borrower or any Obligor hereunder shall be determined as if such Lender had not sold such participation, and (iv) so long as no Event of Default is ongoing, any sale to a (A) hedge fund or (B) proposed Participant that is a direct competitor of any Borrower shall require the prior written consent of Borrowers (which shall not be unreasonably withheld, conditioned or delayed and such approval shall be deemed given by Borrowers if no objection from Borrowers is received within five (5) Business Days after written notice of such proposed participation has been provided by Agent) and (v) if such Participant is not a bank, represent that either (A) no part of its acquisition of its participation is made out of assets of any employee benefit plan, or (B) after consultation, in good faith, with Borrowers and provision by Borrowers of such information as may be reasonably requested by the Participant, the acquisition and holding of such participation does not constitute a non-exempt prohibited transaction under Section 406 of ERISA and Section 4975 of the Code, or (C) such participation is an "insurance company general account, " as such term is defined in the "PTCE 95-60", and, as of the date of the transfer there is no "employee benefit plan" with respect to which the aggregate amount of such general account's reserves and liabilities for the contracts held by or on behalf of such "employee benefit plan" and all other "employee benefit plans" maintained by the same employer (and affiliates thereof as defined in Section V(a)(1) of PTCE 95-60) or by the same employee organization (in each case determined in accordance with the provisions of PTCE 95-60) exceeds ten (10%) percent of the total reserves and liabilities of such general account (as determined under PTCE 95-60) (exclusive of separate account liabilities) plus surplus as set forth in the National Association of Insurance Commissioners Annual Statement filed with the state of domicile of the Participant.

(f) Nothing in this Agreement shall prevent or prohibit any Lender from pledging its Loans hereunder to a Federal Reserve Bank in support of borrowings made by such Lenders from such Federal Reserve Bank.

(g) Borrowers shall use their commercially reasonable efforts to assist Agent or any Lender permitted to sell assignments or participations under this Section 13.5 in whatever manner reasonably necessary in order to enable or effect any such assignment or participation, including (but not limited to) the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested and the delivery of informational materials, appraisals or other documents for, and the participation of relevant management in meetings and conference calls with, potential assignees or Participants.

13.6 Participant's Compensation. Borrowers agree that each Participant shall be entitled to the benefits of Sections 3.8, 6.5 and 11.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 13.5(a). Notwithstanding anything herein to the contrary, a Participant shall not be entitled to receive any greater payment under Section 3.8(a), 6.5 or 11.5 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrowers' prior written consent. A Participant that would be a Non U.S.-Lender if it were a Lender shall not be entitled to the benefits of Section 6.5 unless Borrowers are notified of the participation sold to such Participant and such Participant agrees, for the benefit of Borrowers, to comply with Section 6.5(e) as though it were a Lender.

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13.7 Confidentiality. Each Lender agrees that it will not disclose, without the prior consent of Borrowers, confidential information with respect to Borrowers, any Obligor or any of their respective Subsidiaries which is furnished pursuant to this Agreement and which is specifically designated as confidential in writing by Borrowers; provided, that, any Lender may disclose any such information (a) to its employees, affiliates, auditors or counsel on a need-to-know basis, or to another Lender if the disclosing Lender or such disclosing Lender's holding or parent company in its sole discretion determines that any such party should have access to such information, (b) as has become generally available to the public without a breach of this Section 13.7, (c) as may be required or appropriate in any report, statement or testimony submitted to or upon request of any Governmental Authority having or claiming to have jurisdiction over such Lender, (d) as may be required or appropriate in response to any summons or subpoena or in connection with any litigation, (e) in order to comply with any statute or regulation, and (f) to any prospective or actual assignee or Participant in connection with any contemplated transfer or participation of any of the Commitments or any interest therein by such Lender, provided, that, such assignee or Participant has agreed in writing to the confidentiality of any such confidential information in accordance with the terms of this Section 13.7. Anything contained herein to the contrary notwithstanding, the obligations of confidentiality contained herein, as they relate to the transactions contemplated hereby, shall not apply to the federal tax structure or federal tax treatment of such transactions, and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all Persons, without limitation of any kind, the federal tax structure and federal tax treatment of such transactions (including all written materials related to such tax structure and tax treatment). The preceding sentence is intended to cause the transactions contemplated hereby to not be treated as having been offered under conditions of confidentiality for purposes of Section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations promulgated under Section 6011 of the United States Internal Revenue Code, and shall be construed in a manner consistent with such purpose. In addition, each party hereto acknowledges that it has no proprietary or exclusive rights to the tax structure of the transactions contemplated hereby or any tax matter or tax idea related thereto.

13.8 Entire Agreement. This Agreement, the other Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

13.9 Publicity. Borrowers consent to Agent publishing a tombstone or similar advertising material relating to the financing transaction contemplated by this Agreement.

SECTION 14. JOINT AND SEVERAL LIABILITY; SURETYSHIP WAIVERS

14.1 Independent Obligations; Subrogation. The Obligations of each Borrower hereunder are joint and several. To the maximum extent permitted by law, each Borrower hereby waives any claim, right or remedy which either may now have or hereafter acquire against any other Borrower that arises hereunder including, without limitation, any claim,

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remedy or right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim, right or remedy of Agent or any Lender against any Borrower or any Collateral which Agent or any Lender now has or hereafter acquires, whether or not such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise until the Obligations are fully paid and finally discharged. In addition, each Borrower hereby waives any right to proceed against the other Borrowers, now or hereafter, for contribution, indemnity, reimbursement, and any other suretyship rights and claims, whether direct or indirect, liquidated or contingent, whether arising under express or implied contract or by operation of law, which any Borrower may now have or hereafter have as against the other Borrowers with respect to the Obligations until the Obligations are fully paid and finally discharged. Each Borrower also hereby waives any rights of recourse to or with respect to any asset of the other Borrowers until the Obligations are fully paid and finally discharged.

14.2 Authority to Modify Obligations and Security. Each Borrower authorizes Agent and Lenders, without notice or demand and without affecting any Borrowers' liability hereunder, from time to time, whether before or after any notice of termination hereof or before or after any default in respect of the Obligations, to: (a) renew, extend, accelerate, or otherwise change the time for payment of, or otherwise change any other term or condition of, any document or agreement evidencing or relating to any Obligations as such Obligations relate to the other Borrowers, including, without limitation, to increase or decrease the rate of interest thereon; (b) accept, substitute, waive, defease, increase, release, exchange or otherwise alter any Collateral, in whole or in part, securing the other Borrowers' Obligations; (c) apply any and all such Collateral and direct the order or manner of sale thereof as Agent and Lenders, in their sole discretion, may determine; (d) deal with the other Borrowers as Agent or any Lender may elect; (e) in Agent's and Lenders' sole discretion, settle, release on terms satisfactory to them, or by operation of law or otherwise, compound, compromise, collect or otherwise liquidate any of the other Borrowers' Obligations and/or any of the Collateral in any manner, and bid and purchase any of the collateral at any sale thereof; (f) apply any and all payments or recoveries from the other Borrowers as Agent or Lenders, in their sole discretion, may determine, whether or not such indebtedness relates to the Obligations; all whether such Obligations are secured or unsecured or guaranteed or not guaranteed by others; and (g) apply any sums realized from Collateral furnished by the other Borrowers upon any of its indebtedness or obligations to Agent or Lenders as they in their sole discretion, may determine, whether or not such indebtedness relates to the Obligations; all without in any way diminishing, releasing or discharging the liability of any Borrower hereunder.

14.3 Waiver of Defenses. Upon an Event of Default by any Borrower in respect of any Obligations, and except as required in Section 726 of the California Code of Civil Procedure, Agent or any Lender may, at their option and without notice to any Borrower, proceed directly against any Borrower to collect and recover the full amount of the liability hereunder, or any portion thereof, and each Borrower waives any right to require Agent or any Lender to: (a) proceed against the other Borrowers or any other person whomsoever; (b) proceed against or exhaust any Collateral given to or held by Agent or any Lender in connection with the Obligations; (c) give notice of the terms, time and place of any public or private sale of any of the Collateral except as otherwise provided herein; or (d) pursue any other remedy in Agent's or any Lender's power whatsoever. A separate action or actions may be brought and prosecuted against any Borrower whether or not action is brought against the other Borrowers and whether

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the other Borrowers be joined in any such action or actions; and each Borrower agrees that any payment of any Obligations or other act which shall toll any statute of limitations applicable thereto shall similarly operate to toll such statute of limitations applicable to the liability hereunder.

14.4 Exercise of Agent's and Lenders' Rights. Each Borrower hereby authorizes and empowers Agent and Lenders in their sole discretion, without any notice or demand to such Borrower whatsoever and without affecting the liability of such Borrower hereunder, to exercise any right or remedy which Agent or any Lender may have available to them against the other Borrowers.

14.5 Additional Waivers. Each Borrower waives any defense arising by reason of any disability or other defense of the other Borrowers or by reason of the cessation from any cause whatsoever of the liability of the other Borrowers or by reason of any act or omission of Agent or any Lender or others which directly or indirectly results in or aids the discharge or release of the other Borrowers or any Obligations or any Collateral by operation of law or otherwise. The Obligations shall be enforceable against each Borrower without regard to the validity, regularity or enforceability of any of the Obligations with respect to any of the other Borrowers or any of the documents related thereto or any collateral security documents securing any of the Obligations. No exercise by Agent or any Lender of, and no omission of Agent or any Lender to exercise, any power or authority recognized herein and no impairment or suspension of any right or remedy of Agent or any Lender against any Borrower or any Collateral shall in any way suspend, discharge, release, exonerate or otherwise affect any of the Obligations or any Collateral furnished by the Borrowers or give to the Borrowers any right of recourse against Agent or any Lender. Each Borrower specifically agrees that the failure of Agent or any Lender: (a) to perfect any lien on or security interest in any property heretofore or hereafter given any Borrower to secure payment of the Obligations, or to record or file any document relating thereto or (b) to file or enforce a claim against the estate (either in administration, bankruptcy or other proceeding) of any Borrower shall not in any manner whatsoever terminate, diminish, exonerate or otherwise affect the liability of any Borrower hereunder.

14.6 Additional Indebtedness . Additional Obligations may be created from time to time at the request of any Borrower and without further authorization from or notice to any other Borrower even though the borrowing Borrower's financial condition may deteriorate since the date hereof. Each Borrower waives the right, if any, to require Agent or any Lender to disclose to such Borrower any information it may now have or hereafter acquire concerning the other Borrowers' character, credit, Collateral, financial condition or other matters. Each Borrower has established adequate means to obtain from the other Borrowers, on a continuing basis, financial and other information pertaining to such Borrower's business and affairs, and assumes the responsibility for being and keeping informed of the financial and other conditions of the other Borrowers and of all circumstances bearing upon the risk of nonpayment of the Obligations which diligent inquiry would reveal. Neither Agent nor any Lender need inquire into the powers of any Borrower or the authority of any of their respective officers, directors, partners or agents acting or purporting to act in their behalf, and any Obligations created in reliance upon the purported exercise of such power or authority are hereby guaranteed. All Obligations of each Borrower to Agent and Lenders heretofore, now or hereafter created shall be deemed to have

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been granted at each Borrower's special insistence and request and in consideration of and in reliance upon this Agreement.

14.7 Subordination. Except as otherwise provided in this Section 14.7, any indebtedness of any Borrower now or hereafter owing to any other Borrower is hereby subordinated to the Obligations, whether heretofore, now or hereafter created, and whether before or after notice of termination hereof, and, following the occurrence and during the continuation of an Event of Default, no Borrower shall, without the prior consent of Agent, pay in whole or in part any of such indebtedness nor will any such Borrower accept any payment of or on account of any such indebtedness at any time while such Borrower remains liable hereunder. At the request of Agent, after the occurrence and during the continuance of an Event of Default, each Borrower shall pay to Agent all or any part of such subordinated indebtedness and any amount so paid to Agent at its request shall be applied to payment of the Obligations. Each payment on the indebtedness of any Borrower to the other Borrowers received in violation of any of the provisions hereof shall be deemed to have been received by any other Borrower as trustee for Agent and Lenders and shall be paid over to Agent immediately on account of the Obligations, but without otherwise affecting in any manner any such Borrower's liability under any of the provisions of this Agreement. Each Borrower agrees to file all claims against the other Borrowers in any bankruptcy or other proceeding in which the filing of claims is required by law in respect of any indebtedness of the other Borrowers to such Borrower, and Agent and Lenders shall be entitled to all of any such Borrower's rights thereunder. If for any reason any such Borrower fails to file such claim at least thirty (30) days prior to the last date on which such claim should be filed, Agent, as such Borrower's attorney-in-fact, is hereby authorized to do so in Borrowers' name or, in Agent's discretion, to assign such claim to, and cause a proof of claim to be filed in the name of, Agent's nominee. In all such cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to Agent the full amount payable on the claim in the proceeding, and to the full extent necessary for that purpose any such Borrower hereby assigns to Agent, for itself and the ratable benefit of Secured Parties, all such Borrower's rights to any payments or distributions to which such Borrower otherwise would be entitled. If the amount so paid is greater than any such Borrower's liability hereunder, Agent will pay the excess amount to the person entitled thereto.

14.8 Revival. If any payments of money or transfers of property made to Agent or any Lender by any Borrower should for any reason subsequently be declared to be, or in Agent's counsel's good faith opinion be determined to be, fraudulent (within the meaning of any state or federal law relating to fraudulent conveyances), preferential or otherwise voidable or recoverable in whole or in part for any reason (hereinafter collectively called "voidable transfers") under the Bankruptcy Code or any other federal or state law and Agent or any Lender is required to repay or restore, or in Agent's counsel's good faith opinion may be so liable to repay or restore, any such voidable transfer, or the amount or any portion thereof, then as to any such voidable transfer or the amount repaid or restored and all reasonable costs and expenses (including reasonable attorneys' fees) of Agent or any Lender related thereto, such Borrower's liability hereunder shall automatically be revived, reinstated and restored and shall exist as though such voidable transfer had never been made to Agent or such Lender.

14.9 Understanding of Waivers. Each Borrower warrants and agrees that the waivers set forth in this Section 14 are made with full knowledge of their significance and consequences.

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If any of such waivers are determined to be contrary to any applicable law or public policy, such waivers shall be effective only to the maximum extent permitted by law.

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

AGENT

WELLS FARGO CAPITAL FINANCE, LLC

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

Address: 2450 Colorado Avenue, Suite 3000
Santa Monica, California 90404
Attn: Portfolio Manager

LENDER

WELLS FARGO CAPITAL FINANCE, LLC

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

Address: 2450 Colorado Avenue, Suite 3000
Santa Monica, California 90404
Attn: Portfolio Manager

Revolving Loan Commitment: \$80,000,000

Term Loan Commitment: \$1,435,000

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

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LENDER

BANK OF AMERICA, N.A.

ONSALE, INC.,
a Delaware corporation

By: _____	/s/ Chip Oboza	By: _____	/s/ Dan DeVries
Name: _____	Chip Oboza	Name: _____	Dan DeVries
Title: _____	SVP	Title: _____	President

<u>Address:</u> _____	55 S. Lake Ave., Ste #900	AV ACQUISITION, INC.,
_____	Pasadena, CA 91101	a Delaware corporation
_____	_____	

Revolving Loan Commitment: \$50,000,000

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

Term Loan Commitment: \$896,875

LENDER

PNC BANK, N.A.

MALL ACQUISITION 3, INC.,
a Delaware corporation

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

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

<u>Address:</u> _____	—
_____	—
_____	MALL ACQUISITION SUB 4 INC.,
	a Delaware corporation

Revolving Loan Commitment: \$30,000,000

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

Term Loan Commitment: \$538,125

MALL ACQUISITION SUB 5 INC.,
a Delaware corporation

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

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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/ William C. Neary
Name: William C. Neary
Title: Chairman

Address: 2555 West 190th Street
Torrance, California 90504
Attn: Chief Financial Officer

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EXHIBIT A

Form of

ASSIGNMENT AND ACCEPTANCE AGREEMENT

This ASSIGNMENT AND ACCEPTANCE (this "Assignment and Acceptance") dated as of _____, _____ is made by and between _____ (the "Assignor") on the one hand and _____ (the "Assignee") on the other hand.

WITNESSETH:

WHEREAS, PC MALL, INC., PC MALL SALES, INC., AF SERVICES, LLC, PC MALL GOV, INC., ONSALE, INC., AV ACQUISITION, INC., MALL ACQUISITION 3, INC., MALL ACQUISITION SUB 4 INC., MALL ACQUISITION SUB 5 INC., PC MALL SERVICES, INC., OSRP, LLC, and SARCOM, INC. (collectively, "Borrower"), the financial institutions from time to time party to the Loan Agreement (as hereinafter defined) as lenders (each a "Lender" and collectively, the "Lenders"), and Wells Fargo Capital Finance, LLC, a Delaware limited liability company, as administrative and collateral agent for the Lenders (in such capacity, "Agent") have entered into that certain Second Amended and Restated Loan and Security Agreement, dated as of December 14, 2010 (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement"), pursuant to which the Lenders have and may continue to make loans and provide other financial accommodations to Borrower. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Loan Agreement.

WHEREAS, as provided under the Loan Agreement, Assignor committed to making Loans (the "Committed Loans") to Borrower in an aggregate amount not to exceed \$ _____ (the "Commitment");

WHEREAS, Assignor wishes to assign to Assignee [part of] the rights and obligations of Assignor under the Loan Agreement in respect of its Commitment in an amount equal to \$ _____ (the "Assigned Commitment Amount") on the terms and subject to the conditions set forth herein and Assignee wishes to accept assignment of such rights and to assume such obligations from Assignor on such terms and subject to such conditions;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. Assignment and Acceptance.

(a) Subject to the terms and conditions of this Assignment and Acceptance, (i) Assignor hereby sells, transfers and assigns to Assignee, and (ii) Assignee hereby purchases, assumes and undertakes from Assignor, without recourse and without representation or warranty (except as provided in this Assignment and Acceptance) an interest in (A) the Commitment and each of the Committed Loans of Assignor and (B) all related rights, benefits, obligations,

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liabilities and indemnities of Assignor under and in connection with the Loan Agreement and the other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements"), so that after giving effect thereto, the Commitment of Assignee and the Commitment of Assignor shall be as set forth in clauses (c) and (d) below and the Pro Rata Share (as defined in the Loan Agreement) of Assignee shall be _____ percent (____ %).

(b) With effect on and after the Effective Date (as defined in Section 5 hereof), Assignee shall be a party to the Loan Agreement and succeed to all of the rights and be obligated to perform all of the obligations of a Lender under the Loan Agreement, including the requirements concerning confidentiality and the payment of indemnification, with a Commitment in an amount equal to the Assigned Commitment Amount. Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Lender. It is the intent of the parties hereto that the Commitment of Assignor shall, as of the Effective Date, be reduced by an amount equal to the Assigned Commitment Amount and Assignor shall relinquish its rights and be released from its obligations under the Loan Agreement to the extent such obligations have been assumed by Assignee; provided, that, Assignor shall not relinquish their rights under the Loan Agreement to the extent such rights relate to the time prior to the Effective Date.

(c) After giving effect to the assignment and assumption set forth herein, on the Effective Date Assignee's Commitment will be \$ _____.

(d) After giving effect to the assignment and assumption set forth herein, on the Effective Date Assignor's Commitment will be \$ _____.

2. Payments. As consideration for the sale, assignment and transfer contemplated in Section 1 hereof, Assignee shall pay to Agent, for the benefit of Assignor, on the Effective Date in immediately available funds an amount equal to \$ _____, representing Assignee's Pro Rata Share of the principal amount of all Committed Loans.

3. Reallocation of Payments. Any interest, fees and other payments accrued to the Effective Date with respect to the Commitment, Committed Loans and outstanding Letter of Credit Accommodations shall be for the account of Assignor. Except as Assignor or Assignee may otherwise agree in writing (with or without the consent of Borrower) any interest, fees and other payments accrued on and after the Effective Date with respect to the Assigned Commitment Amount shall be for the account of Assignee. Each of Assignor and Assignee agrees that it will hold in trust for the other parties any interest, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and pay to the other party any such amounts which it may receive promptly upon receipt.

4. Independent Credit Decision. Assignee (a) acknowledges that it has received a copy of the Loan Agreement and the Schedules and Exhibits thereto, together with copies of the most recent financial statements of Borrower, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this

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Assignment and Acceptance and (b) agrees that it will, independently and without reliance upon Assignor, Agent or any Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Loan Agreement.

5. Effective Date; Notices.

- (a) As between Assignor and Assignee, the effective date for this Assignment and Acceptance shall be the Effective Date; (the "Effective Date"); provided, that, the following conditions precedent have been satisfied on or before
- (i) this Assignment and Acceptance shall be executed and delivered by Assignor and Assignee;
 - (ii) the consent of Agent as required for an effective assignment of the Assigned Commitment Amount by Assignor to Assignee shall have been duly obtained and shall be in full force and effect as of the Effective Date;
 - (iii) written notice of such assignment, together with payment instructions, addresses and related information with respect to Assignee, shall have been given to Borrower and Agent; and
 - (iv) Assignee shall pay to Assignor all amounts due to Assignor under this Assignment and Acceptance.
- (b) Promptly following the execution of this Assignment and Acceptance, Assignor shall deliver to Borrower and Agent for acknowledgment by Agent, a Notice of Assignment in the form attached hereto as Schedule 1.

6. Agent.

- (a) Assignee hereby appoints and authorizes Wells Fargo Capital Finance, LLC in its capacity as Agent to take such action as agent on its behalf to exercise such powers under the Loan Agreement as are delegated to Agent.
- (b) **[Assignee shall assume no duties or obligations held by Assignor in its capacity as Agent under the Loan Agreement.]**

7. Withholding Tax. Assignee (a) represents and warrants to Assignor, Agent and Borrower that under applicable law and treaties no tax will be required to be withheld by Assignee, Agent or Borrower with respect to any payments to be made to Assignee hereunder or under any of the Financing Agreements, (b) agrees to furnish (if it is organized under the laws of any jurisdiction other than the United States or any State thereof) to Agent and Borrower prior to the time that Agent or Borrower are required to make any payment of principal, interest or fees hereunder, duplicate executed originals of either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein Assignee claims entitlement to the benefits of a tax treaty that provides for a complete exemption from U.S. federal income withholding tax on all payments hereunder) and agrees to provide new Forms 4224 or 1001 upon the expiration

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of any previously delivered form or comparable statements in accordance with applicable U.S. law and regulations and amendments thereto, duly executed and completed by Assignee, and (c) agrees to comply with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

8. Representations and Warranties.

(a) Assignor represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any security interest, lien, encumbrance or other adverse claim, (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance and to fulfill its obligations hereunder, (iii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance, and apart from any agreements or undertakings or filings required by the Loan Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance, and (iv) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of Assignor, enforceable against Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

(b) Assignor makes no representation or warranty and does not assume any responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or any of the other Financing Agreements or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other instrument or document furnished pursuant thereto. Assignor makes no representation or warranty in connection with, nor does it assume any responsibility with respect to, the solvency, financial condition, asset valuation or realization, or statements of Borrower, any Obligor or any of their respective Affiliates, or the performance or observance by Borrower, any Obligor or any other Person, of any of its respective obligations under the Loan Agreement or any other instrument or document furnished in connection therewith.

(c) Assignee represents and warrants that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance, and to fulfill its obligations hereunder, (ii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance, and apart from any agreements or undertakings or filings required by the Loan Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iii) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of Assignee, enforceable against Assignee in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and

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other laws of general application relating to or affecting creditors' rights to general equitable principles.

9. Further Assurances. Assignor and Assignee each hereby agree to execute and deliver such other instruments, and take such other action, as any party hereto may reasonably request in connection with the transactions contemplated by this Assignment and Acceptance, including the delivery of any notices or other documents or instruments to any party to the Loan Agreement, which may be required in connection with the assignment and assumption contemplated hereby.

10. Miscellaneous

(a) Any amendment or waiver of any provision of this Assignment and Acceptance must be in writing and signed by the parties hereto, except as otherwise provided herein. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof and any waiver of any breach of the provisions of this Assignment and Acceptance shall be without prejudice to any rights with respect to any other for further breach thereof.

(b) All payments made hereunder shall be made without any set-off or counterclaim.

(c) Assignor and Assignee shall each pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Assignment and Acceptance.

(d) This Assignment and Acceptance may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(e) THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF CALIFORNIA. Each party hereto irrevocably submits to the non-exclusive jurisdiction of any State or Federal court sitting in Los Angeles County, California over any suit, action or proceeding arising out of or relating to this Assignment and Acceptance and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such California State or Federal court. Each party to this Assignment and Acceptance hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.

(f) EACH PARTY HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS ASSIGNMENT AND ACCEPTANCE, THE LOAN AGREEMENT, ANY OF THE OTHER FINANCING AGREEMENTS OR ANY RELATED DOCUMENTS AND AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, OR STATEMENTS (WHETHER ORAL OR WRITTEN).

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IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment and Acceptance to be executed and delivered by their duly authorized officers as of the date first above written.

a _____

By: _____
Name: _____
Title: _____

a _____

By: _____
Name: _____
Title: _____

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SCHEDULE 1
to Assignment and Acceptance

Form of

NOTICE OF ASSIGNMENT AND ACCEPTANCE

Wells Fargo Capital Finance, LLC
2450 Colorado Avenue, Suite 3000
Santa Monica, California 90404
Attn: _____

—' —

Attn: _____

Re: _____

Ladies and Gentlemen:

Reference is hereby made to (a) that certain Second Amended and Restated Loan and Security Agreement, dated as of December 14, 2010 (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") by and among PC MALL, INC., PC MALL SALES, INC., AF SERVICES, LLC, PC MALL GOV, INC., ONSALE, INC., AV ACQUISITION, INC., MALL ACQUISITION 3, INC., MALL ACQUISITION SUB 4, INC., MALL ACQUISITION SUB 5 SUB, INC., PC MALL SERVICES, INC., OSRP, LLC, and SARCOM, INC. (collectively, "Borrower"), the financial institutions from time to time party to the Loan Agreement as lenders (each a "Lender" and collectively, the "Lenders") and Wells Fargo Capital Finance, LLC, as administrative and collateral agent for the Lenders (in such capacity, "Agent") pursuant to which the Lenders have and may continue to make loans and provide other financial accommodations to Borrower, and (b) the other agreements, documents and instruments referred to in the Loan Agreement or at any time executed and/or delivered in connection therewith or related thereto (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements"). Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Loan Agreement.

1. We hereby give you notice of, and request Agent's consent to, the assignment by (the "Assignor") to (the "Assignee") such that after giving effect to the assignment, Assignee shall have an interest equal to _____ percent (%) of the total Commitments pursuant to the Assignment and

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Acceptance Agreement attached hereto (the "Assignment and Acceptance"). We understand that Assignor's Commitment shall be reduced by \$ _____.

2. Assignee agrees that, upon receiving the consent of Agent to such assignment, Assignee will be bound by the terms of the Loan Agreement as fully and to the same extent as if the Assignee were the Lender originally holding such interest under the Loan Agreement.

3. The following administrative details apply to Assignee:

(a) Notice address:

Assignee: _____
Address: _____

Attention: _____
Telephone: _____
Telecopier: _____

(b) Payment instructions:

Account No.: _____
At: _____
ABA No.: _____
For Credit To: _____
Reference: _____

4. You are entitled to rely upon the representations, warranties and covenants of each party to the Assignment and Acceptance as contained therein.

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IN WITNESS WHEREOF, Assignor and Assignee have each caused this Notice of Assignment and Acceptance to be executed by its duly authorized officials, officers or agents as of the date first above mentioned.

Very truly yours,

_____ a _____

By: _____
Name: _____
Title: _____

_____ a _____

By: _____
Name: _____
Title: _____

ACKNOWLEDGED AND CONSENTED TO:

WELLS FARGO CAPITAL FINANCE, LLC,
a Delaware limited liability company,
as Agent

By:	_____
Name:	_____
Title:	_____

ACKNOWLEDGED:

_____ a _____

By:	_____
Name:	_____
Title:	_____

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EXHIBIT B

Form of Information Certificates

INFORMATION CERTIFICATE
OF

[]

Dated: [], 20 []

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

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

5. The Company has been formed by filing the following document with the Secretary of State of the State of []:

- (a) Certificate/Articles of Incorporation
- (b) Certificate/Articles of Organization
- (c) Other [specify]

The date of formation of the Company by the filing of the document specified above with the Secretary of State was []

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

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

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

*** 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.

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

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

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

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

<u>Type of License</u>	<u>Issuing Agency or Authority</u>
_____	_____
_____	_____
_____	_____
_____	_____

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

<u>Type of Activity</u>	<u>Regulatory Agency or Authority</u>
_____	_____
_____	_____
_____	_____
_____	_____

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

*** 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.

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

<u>Period of Time</u>		<u>Prior Name</u>
From	to	_____

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

<u>Approximate Date</u>	<u>Other Entity</u>	<u>Description of Transaction</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

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

*** 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.

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

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

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

<u>Name</u>	<u>Address</u>	<u>Type of Service/Assets Handled</u>
_____	_____	_____

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_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

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

*** 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.

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

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

23. The Federal Employer Identification Number of the Company is

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

(a) True

(b) Incorrect [explain]:

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

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

Title	Name
_____	_____
_____	_____
_____	_____
_____	_____

The following people will have signatory powers as to all your of transactions with the Company:

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

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

Name	No. of Shares or Units	Ownership Percentage
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

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

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

Lienholder	Assets Pledged	Amount of Debt Secured
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

Debtor	Creditor	Amount of Obligation
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

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

*** 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.

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

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

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

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

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

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

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

37. With regard to any pension or profit sharing plan:

- (i) A determination as to qualification has been issued.
- (ii) Funding is on a current basis and in compliance with established requirements.

38. The Company's fiscal year ends: _____.

39. Certified Public Accountants for the Company is the firm of:

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

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

Name: _____
Address: _____
Telephone: _____
Facsimile: _____
E-Mail: _____
Partner Handling Relationship: _____

*** 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.

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

Very truly yours,

[_____]

By: _____

Title: _____

By: _____

Title: _____

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

SCHEDULE 8.4

Other Liens

<u>Lienholder</u>	<u>Borrower(s)</u>	<u>Assets</u>	<u>Amount of Debt Secured</u>
IBM Credit LLC	PC Mall, Inc. PC Mall Sales, Inc. PC Mall Gov., Inc. OnSale, Inc. AV Acquisition, Inc. Mall Acquisition 2, Inc. Sarcom, Inc.	All assets	***
Apple Inc.	PC Mall Sales, Inc. PC Mall, Inc. PC Mall Gov, Inc. Sarcom, Inc. OnSale, Inc. AF Services, LLC	Inventory and all proceeds thereof	***
Hewlett-Packard Company	PC Mall, Inc.	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	***
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	***

Schedule 8.4

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

SCHEDULE 8.8

Banks and Deposit 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	[***] [***] [***] [***]

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Huntington Nation	***	N/A	***
	***		***
	***		***
	***		***
	***		***
	***		***
	***		***

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	***		***
	***		***
	***		***
	***		***
	***		***

*** 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. PC Mall Gov, Inc.:

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

8. Onsale, Inc.:

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

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

*** 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.

12. Mall Acquisition 5, Inc.:

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

Schedule 8.8

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SCHEDULE 8.9

Environmental Disclosures

None.

Schedule 8.9

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SCHEDULE 9.9

Indebtedness

<u>Lender</u>	<u>Borrower(s)</u>	<u>Maximum Amount of Debt</u>
IBM Credit LLC	PC Mall, Inc. PC Mall Sales, Inc. PC Mall Gov., Inc. OnSale, Inc. AV Acquisition, Inc. Mall Acquisition 2, Inc. Sarcom, Inc.	[***]
Apple Inc.	PC Mall Sales, Inc. PC Mall, Inc. PC Mall Gov, Inc. Sarcom, Inc. OnSale, Inc. AF Services, LLC	[***]
Hewlett-Packard Company	PC Mall, Inc.	[***]
Cisco Systems Capital Corporation	AF Services, LLC	[***]
Compellent Credit	Sarcom, Inc.	[***]
Ikon	AF Services, Inc.	[***]
Spire	PC Mall, Inc.	[***]
Key Government Finance, Inc.	PC Mall, Inc.	[***]

Schedule 9.9

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

SCHEDULE 9.10

Real Property

1. [***]
2. [***]
3. [***]

Schedule 9.10

**AGREEMENT FOR PURCHASE AND SALE
OF REAL ESTATE AND JOINT ESCROW INSTRUCTIONS**

By and Between

**PC MALL, INC.
a Delaware corporation**

("Buyer")

And

CITIBANK, N.A., a national banking association

("Seller")

Subject Property:

1940 E. Mariposa Avenue, El Segundo, California

Dated as of January 7, 2011

**Agreement For Purchase And Sale
Of Real Estate And Joint Escrow Instructions**

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LIST OF SCHEDULES AND EXHIBITS

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**AGREEMENT FOR PURCHASE AND SALE
OF REAL ESTATE AND JOINT ESCROW INSTRUCTIONS**

SCHEDULE OF DEFINITIONS

"Acceptance Deadline Date" shall mean January 7, 2011 or such other date as extended in writing by Seller.

"Business Day" shall mean any day that national banks in Los Angeles County are open for business, excluding Saturdays and Sundays.

"Buyer" shall mean PC Mall, Inc., a Delaware corporation

"Buyer's Contingencies" shall have the meaning set forth in Article 10.

"Close of Escrow" or "Closing" shall mean the closing of the Escrow contemplated by this Agreement which shall be the date no later than fifteen (15) days following Buyer's delivery of the Financing Approval Notice as provided herein (and in no event, later than February 22, 2011).

"Deposit" shall mean the sum of Five Hundred Thousand and 00/100ths Dollars (\$500,000.00), together with all interest earned on said sum while it is held in escrow by Escrow Agent in accordance with this Agreement

"Effective Date" shall mean the date of the last of Buyer and Seller to execute this Agreement.

"Environmental Laws" shall include, without limitation, the following: (a) the Resource Conservation and Recovery Act (42 U.S.C. 6901, et seq.); (b) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act (42 U.S.C. 9601, et seq.); (c) the Clean Air Act (42 U.S.C. 4701, et seq.); (d) the Residential Lead-Based Paint Hazard Reduction Act (42 U.S.C. 4851, et seq.) and (e) such other requirements or environmental or ecological laws, regulations or controls, related to the Property, as may be imposed by any law, rule, order or regulation of any federal, state or local, executive, legislative, judicial, regulatory or administrative agency, board or authority, or any private agreement, which relate to (i) pollution or protection of the air, (ii) surface water, ground water, or soil, (iii) solid, gaseous or liquid waste generation, treatment, storage, disposal or transportation, and (iv) exposure to any substances which are or become regulated as hazardous or toxic under any applicable law or regulation.

"Escrow" shall mean an escrow opened by Seller with Escrow Agent for the purpose of facilitating the transactions contemplated by this Agreement.

"Escrow Agent" shall mean the Title Company.

"Hazardous Material" shall mean (a) "hazardous substances," as defined by the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Sec. 9601, et seq.; (b) "hazardous wastes", as defined by the Resource Conservation and Recovery Act, 42 U.S.C. Sec. 6902, et seq.; (c) any pollutant or contaminant or hazardous, dangerous or

toxic chemicals, materials or substances within the meaning of any other applicable federal, state or local law, regulation, ordinance or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, all as amended or hereafter amended; (d) more than 100 gallons of crude oil or any fraction thereof which is liquid at standard conditions of temperature and pressure (60 degrees Fahrenheit and 14.7 pounds per square inch absolute); (e) any radioactive materials, including any source, special nuclear or by-product material as defined at 42 U.S.C. Sec. 2011, et seq., as amended or hereafter amended; (f) asbestos in any form or condition; and (g) lead-based paint hazards, i.e., any condition that causes exposure to lead from lead-contaminated dust, lead-contaminated soil, or lead contaminated paint that is deteriorated or present in accessible surfaces, friction surfaces or impact surfaces that would result in adverse human health effects as established by the appropriate Federal agency.

"Investigation Period" shall mean the period of time beginning on the Effective Date and ending on the date that is fourteen (14) days following the Effective Date.

"Key Employees" shall mean the personnel of Seller who are most likely to have actual personal knowledge of pertinent facts relating to the Property, in this case Kathryn Covert.

"Land" shall mean that certain real property located at 1940 East. Mariposa Avenue, El Segundo, California, more particularly described in Exhibit "A" to this Agreement.

"Lease" shall mean, if applicable, a lease of space in the Improvements or any other portion of the Property.

"Purchase Price" shall mean the purchase price of the Property which is Nine Million Seven Hundred Fifty Thousand and 00/100ths Dollars (\$9,750,000.00).

"Seller" shall mean Citibank, N.A., a national banking association.

"Seller's Actual Knowledge" shall mean the actual, not imputed, knowledge of the Key Employees based on a review of Seller's files concerning the Property.

"Seller's Contingencies" shall have the meaning set forth in Article 11.

"Title Report" shall mean a preliminary title report issued by the Title Company.

"Title Policy" shall mean an ALTA owner's extended coverage title insurance policy in the amount of the Purchase Price, insuring Buyer's fee title to the Real Property (as defined below), subject to the Permitted Exceptions, together with all endorsements to the Title Policy required by Buyer (so long as such request is made prior to the end of the Investigation Period).

"Title Company" shall mean Fidelity National Title Company.

"Total Cash to Close Escrow" shall mean the Purchase Price plus Buyer's share of prorations and closing costs of Escrow, as provided in Paragraphs 4.4 and 4.5 of this Agreement, less the amount of the Deposit and any other credit specifically provided in this Agreement, in the form of a cashier's check or immediately available funds.

THIS AGREEMENT is entered into as of the Effective Date by and between Seller and Buyer, as follows:

ARTICLE 1. DEFINITIONS. Except as otherwise expressly provided hereinafter, all capitalized items used in this Agreement shall have the meanings assigned to them in the Schedule of Definitions hereinabove set forth.

ARTICLE 2. PURCHASE AND SALE OF PROPERTY.

2.1 Sale of Property. Seller agrees to sell and convey to Buyer and Buyer agrees to buy from Seller, subject to the terms and conditions set forth herein, the following:

2.1.1 Land. The Land;

2.1.2 Appurtenances. All rights, privileges and easements, appurtenant to the Land, which are owned by Seller, including, without limitation, all mineral, oil, gas and other hydrocarbon substances on and under the Land, as well as all development rights, air rights, water, water rights and water stock relating to the Land and any appurtenant easements, rights of way or other interests related to the beneficial use and enjoyment of the Land, to the extent that the same may lawfully be conveyed by Seller (collectively, "Appurtenances");

2.1.3 Improvements. All buildings, structures, improvements and fixtures, located on the Land, which are owned by Seller, as well as all apparatus, equipment and appliances used in connection with the operation and occupancy thereof, such as heating and air conditioning systems and facilities used to provide any utilities, ventilation or other services thereto (collectively, "Improvements"); and

2.1.4 Personal Property. All personal property located on or in, or used in connection with, the Land and/or Improvements, which is owned by Seller, if any (collectively, "Personal Property").

2.1.5 Other Property. To the extent the same is assignable by Seller, Seller's interest in, if any (a) third-party contracts and agreements relating to the use, maintenance or operation of the Land or Improvements which are disclosed to Buyer and which Buyer elects to accept before the expiration of the Investigation Period (collectively, the "Service Agreements"), (b) warranties relating to the use, maintenance or operation of the Land or Improvements ("Warranties") and (c) licenses, permits, authorizations, consents, variances, waivers and approvals issued by any federal, state, local municipal or other authorities relating to the use, maintenance, occupancy or operation of the Land or Improvements and in effect at the Close of Escrow (collectively, the "Permits"), to the extent such Service Agreements, Warranties or Permits are in Seller's actual possession (or with respect to Permits and Warranties, assignable without having to be in Seller's possession or known to Seller). The Service Agreements, Warranties and Permits are referred to as "Other Property".

The Land, the Appurtenances, the Improvements, the Personal Property and the Other Property are hereinafter collectively referred to as the "Property," and the Land, the Appurtenances and the Improvements as the "Real Property."

ARTICLE 3. PURCHASE PRICE. The Purchase Price shall be payable as follows:

3.1 Deposit. The Deposit shall be delivered to Escrow Agent prior to 4:00 p.m. C.S.T. on the third (3rd) Business Day following the Effective Date. The Deposit shall be made by Buyer to Escrow Agent in the form of one (1) certified or bank cashier's check payable to Escrow Agent, or by wire transfer. The Deposit shall be placed by Escrow Agent in an interest-bearing escrow account with a commercial bank selected by Escrow Agent and acceptable to Seller, which interest shall accrue for the benefit of Buyer. Buyer's tax identification number is . In the event Buyer fails to provide its tax identification number in this Agreement, then Escrow Agent shall not be required to place the Deposit in an interest bearing account until it has received written notice setting forth the Buyer's tax identification number.

The Deposit shall be nonrefundable, subject to return to Buyer only upon default by Seller under this Agreement or the occurrence of an event entitling Buyer to terminate this Agreement, as expressly provided elsewhere herein, and a timely election by Buyer to do so.

3.2 Cash at Closing. The Total Cash to Close Escrow shall be in the form of a wire transfer or immediately available funds, payable to Escrow Agent and received by Escrow Agent not later than 10:00 a.m., local time, on the Business Day immediately preceding the date of Close of Escrow.

ARTICLE 4. ESCROW.

4.1 Escrow Instructions. This Agreement shall be deposited into Escrow within three (3) Business Days after the Effective Date and shall constitute joint Escrow instructions of Buyer and Seller. Each of Buyer and Seller covenant and agree with the other that they will execute such other and further Escrow instructions, consistent with the terms of this Agreement, as Escrow Agent may request or as may be necessary or appropriate to consummate the transactions contemplated hereby, and that they will deliver the same to Escrow Agent sufficiently in advance of the Close of Escrow to permit Escrow to close within the time provided in this Agreement.

4.2 Close of Escrow. Upon satisfaction of Buyer's Contingencies and Seller's Contingencies, and when Buyer and Seller have deposited all funds and documents required by these Escrow instructions, and taken all actions required by such further Escrow instructions as may have been given pursuant to Paragraph 4.1, Escrow Agent is authorized and instructed to date, record, file and deliver the documents listed in Paragraphs 5.2 and 5.3 below, as appropriate; to disburse to the person or entity entitled thereto all funds held by Escrow Agent on account of Escrow and title costs and other matters specified in Paragraph 4.4; and to disburse to Seller all remaining funds held by Escrow Agent on account of the Purchase Price.

4.3 Failure to Close. In the event Escrow Agent is unable to comply with these Escrow instructions on or before the date specified herein as the last date for the Close of Escrow, or such later date as may be agreed upon in writing by Buyer and Seller, or should either party elect to terminate this Agreement in accordance with a provision hereof which expressly permits them to do so, Escrow Agent is hereby authorized and instructed immediately to cancel Escrow in accordance with the terms and conditions of this Paragraph 4.3. Cancellation costs of Escrow shall be assessed against the defaulting party, if any. If neither

party is in default, or if Escrow Agent is unable to clearly determine which party is the defaulting party, Escrow cancellation costs shall be assessed equally against Seller and Buyer.

4.3.1 Escrow Cancellation Procedures. Upon cancellation of Escrow:

(a) Escrow Agent shall promptly return to each of Buyer and Seller all documents and other things theretofore delivered by them under the terms of this Agreement and if Buyer is not in default, pay to Buyer the Deposit, together with interest thereon, to which Buyer is entitled under the remaining provisions of this Agreement; and

(b) Buyer shall immediately deliver to Seller all documents theretofore delivered to Buyer by or on behalf of Seller hereunder, together with all studies, test results and other materials and information, generated by Buyer, to which Seller is entitled hereunder.

4.3.2 Buyer's Default. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IF BUYER FAILS TO COMPLETE THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT FOR ANY REASON OTHER THAN A DEFAULT BY SELLER HEREUNDER OR ANY EVENT EXPRESSLY PERMITTING TERMINATION UNDER THE PROVISIONS OF PARAGRAPHS 5, 6, 10 OR 13, BUYER WILL BE IN DEFAULT AND BUYER AND SELLER AGREE THAT AS A RESULT OF SUCH DEFAULT SELLER WILL INCUR SUBSTANTIAL DAMAGES THAT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO FIX. ACCORDINGLY, THE PARTIES, AFTER NEGOTIATION, HAVE AGREED THAT SELLER SHALL BE ENTITLED TO RETAIN SUCH AMOUNTS AS BUYER HAS DEPOSITED, OR HAS AGREED HEREIN TO DEPOSIT, INTO ESCROW PLUS ALL INTEREST EARNED FROM THE INVESTMENT THEREOF, AS LIQUIDATED DAMAGES, WHICH SUM THE PARTIES AGREE IS A REASONABLE ESTIMATE OF THE DAMAGES SELLER WILL SUFFER AS THE RESULT OF BUYER'S DEFAULT; PROVIDED, HOWEVER, THAT THIS PROVISION SHALL NOT BE DEEMED TO LIMIT ANY OF BUYER'S INDEMNITIES CONTAINED HEREIN. BY INITIALING BELOW, EACH PARTY SPECIFICALLY AFFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT SUCH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION AT THE TIME THIS AGREEMENT WAS MADE.

Upon receipt of written notice from Seller that Buyer is in default and that the provisions of this subparagraph apply, Escrow Agent shall immediately pay over to Seller the Deposit, and any interest thereon, then in Escrow.

Buyer:

— Seller: —

4.3.3 Buyers Default Dispute. NOTWITHSTANDING THE ABOVE PROVISIONS SHOULD THE SELLER AND BUYER DISPUTE AS TO THE NATURE OR REASON FOR DEFAULT ON THE AGREEMENT, THE ESCROW AGENT MAY EITHER (A) CONTINUE TO HOLD THE DEPOSIT, UNTIL THE PARTIES HAVE AGREED IN WRITING AS TO THE DISTRIBUTION THEREOF, OR (B) DISBURSE THE DEPOSIT INTO THE REGISTRY OF ANY COURT HAVING JURISDICTION

OVER THIS AGREEMENT. IN THE EVENT THAT LITIGATION IS INITIATED THE ESCROW AGENT MAY NOT DISTRIBUTE THE DEPOSIT UNTIL A FINAL ORDER OF COURT DIRECTS THE DISTRIBUTION OF THE DEPOSIT OR A WRITTEN AGREEMENT BETWEEN ALL PARTIES. SELLER AND BUYER ALSO AGREE THAT IF THE ESCROW AGENT IS JOINED IN THE LITIGATION REGARDING THE DEPOSIT, THE ATTORNEY'S FEES AND COST OF THE ESCROW AGENT WILL BE PAID BY THE PARTY THAT JOINED THE ESCROW AGENT.

4.3.4 Seller's Default. In the event the transaction contemplated by this Agreement fails to close due to a default by Seller, Buyer shall have the right to terminate the Agreement and receive back the Deposit together with any reasonable, actual third-party costs and expenses incurred by Buyer in connection with this Agreement and the transaction contemplated herein, such costs and expenses not to exceed Twenty Thousand and 00/100 Dollars (\$20,000.00), in which event the parties shall be released from any and all liability under this Agreement, except as otherwise expressly provided herein. The foregoing shall be Buyer's sole remedy in the event of Seller's default hereunder and Buyer shall have no action against Seller for damages or specific performance.

4.4 Escrow and Title Costs. Seller shall pay all charges attributable to (i) recording the Deed, (ii) proratable items chargeable to Seller at Close of Escrow, (iii) the portion of the cost of the Title Policy attributable to standard CLTA coverage, (iv) the cost of any documentary transfer taxes, (v) one-half (1/2) of the escrow fee and (vi) Seller's own attorneys' fees. Buyer shall pay all charges attributable to (a) proratable items chargeable to Buyer at Close of Escrow, (b) the cost of the portion of the Title Policy attributable to ALTA and extended coverage and any endorsements to the Title Policy, (c) any lender's title insurance policy, (d) one-half (1/2) of the escrow fee and (e) Buyer's own attorneys' fees. All other costs incurred in connection with Escrow shall be borne by Seller and Buyer as customary for the county in which the Real Property is located.

4.5 Prorations. All nondelinquent general and special Property taxes and assessments, all expenses attributable to the operation and maintenance of the Property, all rentals from the Property, all utility charges and all insurance premiums shall be prorated to Close of Escrow on the basis of a thirty (30) day month. Notwithstanding the foregoing, Seller shall be solely responsible for the cost attributable to any delinquent penalties or interest attributable to taxes due and owing prior to the Closing Date. The Property tax proration provided for herein shall be based on the tax statement last available to Escrow Agent. Buyer shall be solely responsible for, and shall indemnify, defend and hold Seller harmless from and against, all costs and expenses in connection with the possession, operation, management and maintenance of the Property accruing at or after Close of Escrow and for all taxes and assessments against the Property pursuant to any annual or supplemental tax statement issued after Close of Escrow relating to events occurring at or after Close of Escrow, including, without limitation, any tax statement issued by the county in connection with the change of ownership occurring by reason of the purchase and sale provided for herein. Seller shall be responsible for, and shall indemnify, defend and hold Buyer harmless from and against all taxes and assessments against the Property pursuant to any annual or supplemental tax statement issued before or after Close of Escrow relating to events occurring prior to Close of Escrow. Seller shall be liable for any and all "rollback" and special use taxes that affect all or any portion of the

Property for periods prior to Closing and Seller, at Seller's expense, shall cause all of such "rollback" and special use taxes to be escrowed for Buyer's account/use at Closing.

ARTICLE 5. INVESTIGATION PERIOD; DELIVERY OF DOCUMENTS.

5.1 Investigation Period.

5.1.1 Buyer's Inspection of the Property. During the Investigation Period, Buyer shall have the right to (a) review, inspect and evaluate all of the Books and Records and (b) enter upon the Land and the Improvements to make all reviews, inspections and investigations of the condition and feasibility of the Property which it may deem desirable or necessary, including, but not limited to, soil borings, percolation tests, engineering, environmental and topographical studies, roof and termite inspections and investigations of zoning and the availability of utilities, all of which inspections and investigations shall be undertaken at Buyer's sole cost and expense. After completing its inspection of the Property, Buyer shall, at its sole cost and expense, repair and replace any damage it has caused to the Property (damage in this context shall not include the mere discovery, so long as there is no exasperation of, a pre-existing environmental or physical condition). Buyer shall coordinate any on-site inspections with Seller. All inspections of the Property shall be conducted in such a manner as to avoid any material interference with any business operations on the Property. All inspections shall be conducted during normal business hours with reasonable prior written notice to Seller. Seller shall not in any way be liable to Buyer as a result of any restriction of Buyer's right of access, granted pursuant to this Paragraph, to any of the leased premises in accordance with a specific Lease.

5.1.2 Delivery by Seller. Buyer acknowledges that, prior to the execution of this Agreement, Brokers have delivered to Buyer the documents and items set forth on Exhibit "D" attached to this Agreement and made a part hereof, and within ten (10) days of the Effective Date, Seller shall make available to Buyer the Title Report together with copies of all underlying documents and a copy of the unaudited operating statements for the period of Seller's ownership, to the extent and in the form currently in Seller's possession (all of the foregoing referred to as the "Books and Records").

5.1.3 Limitation on Information Provided by Seller. Seller makes no representations or warranties with respect to the Books and Records nor to the accuracy or completeness of the Books and Records. Buyer acknowledges and agrees that (i) Seller has been provided with volumes of information, some of which may relate to the Property, (ii) Seller has not reviewed all such information, (iii) Seller may be unaware of information in its possession which relates to the Property, and (iv) Seller's failure to include such information in the Books and Records shall not be a breach of Seller's obligations hereunder, nor be a cause for termination of this Agreement.

5.1.4 Natural Hazards Disclosure. Seller and Buyer acknowledge that the Disclosure Statutes (as defined below) provide that a seller of real property must make certain disclosures regarding certain natural hazards potentially affecting the property, as more particularly provided therein. As used in this PSA, "Disclosure Statutes" means, collectively, California Government Code Section 8589.3, 8589.4 and 51183.5, California Public Resources Code Section 2621.9, 2694 and 4136 and any other California

statutes that require Seller to make disclosure concerning the Property. Seller has delivered to Buyer a Natural Hazard Disclosure Report for the Property (the "Natural Hazard Disclosure Report"). Buyer hereby agrees as follows with respect to the Disclosure Statutes and the Natural Hazard Disclosure Report:

(a) The delivery of the Natural Hazard Disclosure Report to Buyer as provided above shall be deemed to satisfy all obligations and requirements of Seller under the Disclosure Statutes.

(b) Seller shall not be liable for any error or inaccuracy in, or omission from, the information in the Natural Hazard Disclosure Report.

(c) The Natural Hazard Disclosure Report is being provided by Seller for purposes of complying with the Disclosure Statutes and shall not be deemed to constitute a representation or warranty by Seller as to the presence or absence in, at or around the Property of the conditions that are the subject of the Disclosure Statutes.

The Natural Hazard Disclosure Report is for Seller and Buyer only and is not for the benefit of, or be used for any purpose by, any other party, including, without limitation, insurance companies, lenders or governmental agencies.

5.1.5 Survey. During the Investigation Period, Buyer shall have the right to obtain a survey (the "Survey") of the Land prepared by a land surveyor or engineer registered and licensed in the State of California.

5.1.6 Buyer's Right to Terminate During the Investigation Period. Buyer shall have the right to deliver to Escrow Agent, prior to 4:00 p.m. C.S.T. on the final day of the Investigation Period, written notice of its election to terminate this Agreement (the "Termination Notice"). Upon Escrow Agent's timely receipt of the Termination Notice, Escrow Agent shall immediately return to the Buyer the Deposit and thereafter neither Buyer nor Seller shall have any further rights or obligations hereunder except as otherwise expressly provided herein. If Buyer fails to timely deliver the Termination Notice, then Buyer shall be deemed to have waived its right to terminate this Agreement as provided in this Paragraph, to have agreed that the Deposit shall not be refundable except as expressly permitted herein, and to have represented and warranted to Seller that: (i) Buyer has had the full opportunity to make such investigation of the condition of the Property as Buyer has deemed necessary; (ii) except as expressly set forth in this Agreement, Buyer is relying solely upon its own investigations in making the decision to purchase the Property; and (iii) Buyer will accept the Property in an "AS IS" "WHERE IS" "WITH ALL FAULTS" condition, without any obligation of Seller to make any repairs or renovations to the Property, with no representations or warranties, except as otherwise expressly provided herein.

5.1.7 Financing Contingency. Buyer's obligation to consummate the transactions contemplated by this Agreement is expressly contingent upon Buyer's receipt of a binding loan commitment from a lending institution for a loan in the sum not to exceed Seventy percent (70%) of the Purchase Price in connection with Buyer's acquisition of the Property, and upon such other terms and conditions as are reasonably acceptable to Buyer (the "Loan Commitment"). Buyer shall promptly notify Seller in writing on or prior to 4:00 p.m. C.S.T. on February 7, 2011 of its receipt or inability to

obtain the Loan Commitment (the "Financing Notice"). If Buyer is unable to receive the Loan Commitment on or prior to 4:00 p.m. C.S.T. on February 7, 2011 and so states in the Financing Notice (the "Buyer's Financing Contingency"), (a) this Agreement shall automatically terminate without any further action from any party, (b) Escrow Agent shall return the Deposit (and all interest accrued thereon) in accordance with the terms of Section 4.3.1, and (c) thereafter neither Buyer nor Seller shall have any further rights or obligations hereunder except as otherwise expressly provided herein. Upon Buyer's timely delivery of the Financing Notice to Seller indicating Buyer's receipt of the Loan Commitment or Buyer's failure to timely deliver the Financing Notice, Buyer shall be deemed to have (i) satisfied Buyer's Financing Contingency, (ii) waived its right to terminate this Agreement as provided in this Paragraph, and (iii) agreed that the Deposit shall not be refundable except as expressly permitted herein.

5.1.8 Approval of Board. Buyer's obligation to consummate the transactions contemplated by this Agreement is expressly contingent upon Buyer's receipt of a written resolution from Buyer's board of directors approving Buyer's acquisition and financing of the Property upon the terms and conditions set forth in this Agreement and the Loan Commitment (the "Board Approval"). Buyer shall promptly notify Seller in writing on or prior to 4:00 p.m. C.S.T. on February 7, 2011 of its receipt or inability to obtain the Board Approval (the "Board Notice"). If Buyer is unable to receive the Board Approval on or prior to 4:00 p.m. C.S.T. on February 7, 2011 (the "Buyer's Board Approval Contingency") and so states in the Board Notice, (a) this Agreement shall automatically terminate without any further action from any party, (b) Escrow Agent shall return the Deposit (and all interest accrued thereon) in accordance with the terms of Section 4.3.1, and (c) thereafter neither Buyer nor Seller shall have any further rights or obligations hereunder except as otherwise expressly provided herein. Upon Buyer's timely delivery of the Board Notice to Seller indicating Buyer's receipt of the Board Approval or Buyer's failure to timely deliver the Board Notice, Buyer shall be deemed to have (i) satisfied Buyer's Board Approval Contingency, (ii) waived its right to terminate this Agreement as provided in this Paragraph, and (iii) agreed that the Deposit shall not be refundable except as expressly permitted herein.

5.2 Delivery by Seller by Closing. Prior to the Close of Escrow, Seller shall execute a Seller's Closing Statement, to be prepared by Escrow Agent, approving all prorations in connection with the purchase and sale of the Property, as approved by Seller and Buyer. Within two (2) days prior to Close of Escrow, Seller shall deliver the following items (collectively, "Sellers Documents") to Escrow Agent for recording or delivery to Buyer upon Close of Escrow, as applicable:

5.2.1 Deed. The special warranty deed (the "Deed"), in the form attached hereto as **Exhibit "C"** shall be duly executed and acknowledged by Seller, together with any State, County and local transfer tax declarations and forms required to be executed by Seller. Seller shall also deliver all documents required to record the Deed in the Official Records of the county in which the Land is located. Buyer hereby acknowledges that Seller shall warrant title to the Land against all parties claiming by and through or under Seller and no other.

5.2.2 Tax Affidavit. Evidence satisfactory to Escrow Holder that Seller is exempt from the provisions of the withholding requirements of the California Revenue

and Taxation Code, as amended, and that neither Buyer nor Escrow Holder is required to withhold any amounts from the Purchase Price pursuant to such provisions.

5.2.3 FIRPTA. A California and federal form of affidavit confirming that Seller is exempt from withholding under the Foreign Investment in Real Property Tax Act (FIRPTA).

5.2.4 Bill of Sale. Two (2) originals of the Bill of Sale (the "Bill of Sale"), in the form attached hereto as Exhibit "B", duly executed by Seller so as to convey to Buyer title to the Personal Property and Other Property (provided that failure to deliver the second original shall not be deemed a default under this Agreement). Buyer hereby acknowledges that Seller shall not warrant title to the Personal Property or Other Property and by its execution of the delivery of the Bill of Sale, Seller shall convey to Buyer whatever interest it may have in the Personal Property and Other Property.

5.2.5 Other Documents. Such additional documents as Escrow Agent may reasonably deem necessary or proper to carry out this Agreement.

5.3 Delivery by Buyer by Closing. Prior to Close of Escrow, Buyer shall execute a Buyer's Closing Statement, to be prepared by Escrow Agent, approving all prorations in connection with the purchase and sale of the Property as approved by Buyer and Seller. No later than two (2) Business Days prior to Close of Escrow, Buyer, at Buyer's sole cost and expense, shall deliver the following items to Escrow Agent for delivery to Seller, as applicable:

5.3.1 Indemnity Agreement. A Waiver, Release and Indemnification Agreement as specified in Paragraph 9.3.

5.3.2 Authorizing Resolutions. A certified resolution of Buyer authorizing the entering into and execution of this Agreement and the consummation of the transaction herein contemplated.

5.3.3 PCOR. A Preliminary Change in Ownership Report (PCOR) on a form approved for use in Los Angeles County.

5.3.4 Bill of Sale. Two (2) original of the Bill of Sale.

5.3.5 Other Documents. Such additional documents as Seller or Escrow Agent may reasonably deem necessary or proper to carry out this Agreement.

ARTICLE 6. TITLE.

Buyer shall have a period of fifteen (15) days from the Effective Date ("Buyer's Title Objection Period"), to review and approve the Title Report and any Survey obtained by Buyer prior to that date. In the event that Buyer does not approve of the Title Report or any lien, encumbrances, and other matters reflected on the Title Report or the Survey and Seller does not cause such matter to be removed, Buyer may, prior to 4:00 p.m. C.S.T. on the last day of Buyer's Title Objection Period, deliver to the Escrow Agent and Seller, written notice of its election to terminate this Agreement (the "Title Termination Notice"). Upon Escrow Agent's timely receipt of the Title Termination Notice, Escrow Agent shall immediately return to the Buyer the Deposit together with any accrued interest (subject to any rights of Seller in this Agreement) and

thereafter neither Buyer nor Seller shall have any further rights or obligations hereunder except as otherwise expressly provided herein. In the event Buyer fails to timely deliver the Title Termination Notice, then Buyer shall be deemed to have approved of the exceptions contained in the Title Report (the "Approved Exceptions"). Buyer shall have no further right to object to the condition of title to the Property except as to matters which may arise after the Title Termination Deadline and prior to Close of Escrow ("New Title Exceptions"). In the event a New Title Exception is discovered prior to Close of Escrow, Buyer shall have five (5) days after receipt of notice of the New Title Exception to deliver to Seller a notice of Buyer's disapproval of the New Title Exception ("Disapproved Title Item") and the Close of Escrow shall be extended by up to five (5) days, if necessary, to allow Buyer to deliver such disapproval; provided, however, that if Buyer fails to deliver such notice within such five (5) day period, Buyer shall be deemed to have approved the New Title Exception and such New Title Exception shall thereafter conclusively be deemed an Approved Title Exception. Seller shall have until Close of Escrow to attempt to cure any Disapproved Title Item (but shall have no obligation to do so). A Disapproved Title Item shall be considered to be cured and conclusively be deemed to be an Approved Title Exception if such Disapproved Title Item (a) is removed as an exception to the Title Report (and will/does not appear as an exception to the Title Policy), (b) is curable by endorsement or other extended coverage or (c) is otherwise resolved to the satisfaction of Buyer. In no event shall Buyer have the right to disapprove any of the following: (w) current real property taxes and assessments not yet due and payable; (x) matters that would be disclosed by an accurate survey (provided Buyer may object to any adverse matters disclosed by an ALTA Survey during the Investigation Period); (y) Title Company's standard exceptions to an ALTA extended coverage policy; and (z) all Approved Title Exceptions (collectively, the "Permitted Exceptions"). Seller will not record any new lien or encumbrance on title or remove any current encumbrance on title benefiting the Real Property without the consent of Buyer.

ARTICLE 7. SELLER'S REPRESENTATIONS AND WARRANTIES.

7.1 No Warranties by Seller. Buyer acknowledges and agrees that Seller acquired title to the Property through foreclosure or equivalent procedures and that Seller has not made, and will not make, any representation or warranty, express or implied, written or oral (except as set forth in Paragraphs 5.2.1, 7.2 and 15.2 below) concerning the Property or any use to which the Property may or may not be put, including, without limitation, the following:

7.1.1 Title. The condition of title to the Property;

7.1.2 Income and Expense. The income or expenses generated, paid or incurred in connection with the Property;

7.1.3 Books and Records. The accuracy of any statements, calculations or conditions contained in the Books and Records or any other Due Diligence, or pertaining to any time prior to the date Seller took title to the Property;

7.1.4 Physical Condition of Personal Property and Improvements. The physical condition of the Personal Property or the Improvements;

7.1.5 Quality of Workmanship. The quality of workmanship or structural soundness, integrity or design of any work performed or to be performed upon the

Property, or of any Improvements erected or installed, or to be erected or installed, as a part of the Property;

7.1.6 Physical Condition of Land. The physical or subsurface condition of the Land (including, without limitation, site contamination, presence or absence of Hazardous Materials, soil stability, past soil repair, adequacy of undershoring, sufficiency of drainage, or any other matter affecting the stability or integrity of the Land or any Improvements thereon;

7.1.7 Compliance with Environmental Laws. Compliance of the Property with any Environmental Laws;

7.1.8 Zoning. The zoning of the Land, or the suitability of the Property for any intended use or development or the ability of Buyer to obtain any necessary governmental approval or permit for Buyer's intended use or development of the Property;

7.1.9 Conformity with Plans. The conformance or compliance of any Improvement with any plan, site plan, map, engineer's or architect's drawing, or any law, regulation, covenant, condition or restriction;

7.1.10 Governmental Requirements. Any requirement that any governmental or quasi-governmental entity may have or impose with regard to the Property; or

7.1.11 Leases. Any matter relating to any Lease.

7.2 Seller's Representations. Seller does represent to Buyer, the following:

7.2.1 Litigation. To the best of Seller's knowledge, there is no pending or threatened litigation in connection with the Property, other than the litigation through which Seller acquired title to the Property.

7.2.2 Notice. To Seller's Actual Knowledge, Seller has received no written notice (i) concerning the Real Property from any governmental authority stating that the Real Property is in violation of any federal, state, county, or city statute, ordinance, code, rule, or regulation, including, without limitation, any violation of any applicable zoning or the American Disabilities Act or Environmental Laws, (ii) of pending condemnation or (iii) change in zoning affecting the Property.

7.2.3 Leases. There are no existing Leases or tenancies affecting the Real Property.

7.2.4 Onsite Active Employees. Seller has no employees working on a regular basis at the physical Real Property site.

ARTICLE 8. BUYER'S REPRESENTATIONS AND WARRANTIES. Buyer represents and warrants to Seller (collectively, "Buyer's Warranties") that:

8.1 Authority to Execute. If Buyer is a legal entity, then the execution of this Agreement, the delivery by Buyer to Seller or Escrow Agent of all monies, items and documents

provided for herein, Buyer's performance of the terms hereof, and the transactions contemplated hereby have been duly authorized by the requisite action on the part of Buyer.

8.2 Organization. If Buyer is a legal entity, then Buyer is a validly organized and existing corporation, partnership, limited partnership, limited liability company or trust (as applicable) authorized to do business and in good standing under the laws of the State of California.

8.3 Binding Obligation. This Agreement constitutes the valid and binding obligation of Buyer and is enforceable against Buyer in accordance with its terms. If Buyer is a legal entity, then the signatories executing this Agreement on behalf of Buyer have the full right, power and authority to commit and bind Buyer to this Agreement to the fullest extent of the law.

8.4 Financial Condition. Buyer's financial condition is, and shall at all times through Close of Escrow remain, such as to enable Buyer to perform all of its monetary obligations under this Agreement.

8.5 No Encumbrance. Buyer shall neither encumber nor in any way cause any lien to be created against the Property, nor record this Agreement or a memorandum hereof, prior to Close of Escrow.

8.6 Prohibited Persons. Neither Buyer nor any of its respective officers, directors, shareholders, partners, members or affiliates (including without limitation indirect holders of equity interests in Buyer) is or will be an entity or person (i) that is listed in the Annex to, or is otherwise subject to the provisions of Executive Order 13224 issued on September 24, 2001 ("EO13224"), (ii) whose name appears on the United States Treasury Department's Office of Foreign Assets Control ("OFAC") most current list of "Specifically Designated National and Blocked Persons" (which list may be published from time to time in various mediums including, but not limited to, the OFAC website, <http://www.treas.gov/offices/enforcement/ofac/sdn/t11sdn.pdf>), (iii) who commits, threatens to commit or supports "terrorism," as that term is defined in EO13224, (iv) is subject to sanctions of the United States government or is in violation of any federal, state, municipal or local laws, statutes, codes, ordinances, orders, decrees, rules or regulations relating to terrorism or money laundering, including, without limitation, EO13224 and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or (v) who is otherwise affiliated with any entity or person listed above (any and all parties described in clauses (i) — (v) above are herein referred to as a "Prohibited Person"). Buyer covenants and agrees that neither Buyer nor any of its respective officers, directors, shareholders, partners, members or affiliates (including without limitation indirect holders of equity interests in Buyer) shall (aa) conduct any business, nor engage in any transaction or dealing, with any Prohibited Person, including, but no limited to, the making or receiving of any contribution of funds, goods, or services, to or for the benefit of a Prohibited Person, or (bb) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in EO13224. The provisions of this Section shall survive the Closing or termination of this Agreement.

8.7 Litigation. There are no actions, suits, claims or other proceedings pending or, to the best of Buyer's knowledge, contemplated or threatened against Buyer that could affect Buyer's ability to perform its obligations under this Agreement.

8.8 Financial Ability. Buyer has sufficient funds available to consummate the transactions contemplated by this Agreement.

ARTICLE 9. CONDITION OF PROPERTY; ENTRY AND INSPECTION.

9.1 Acknowledgment of Condition. Buyer further represents and warrants to Seller that: (a) Buyer is an experienced and sophisticated purchaser and operator of properties such as the Property; (b) Buyer is (or prior to Close of Escrow, will be) specifically familiar with the Property; (c) Buyer has (or prior to Close of Escrow, will have) inspected and examined all aspects of the Property and its current condition which Buyer believes are relevant to Buyer's decision to purchase the Property; (d) Buyer, as of the date of this Agreement, has (or prior to Close of Escrow will have) satisfied itself as to all matters relating to the Property; and (e) in purchasing the Property pursuant to this Agreement, except as expressly provided in this Agreement, Buyer is relying solely on its own investigation and inspection of the Property, and that the Property will be conveyed to and accepted by Buyer at Close of Escrow in its AS IS, WHERE IS, WITH ALL FAULTS condition, subject to the provisions of this Agreement. Buyer acknowledges and agrees that: (i) except as specifically set forth in Section 5.2.1 and 7.2 above, Seller has not made any representation or warranty, express or implied, written or oral, concerning the Property or any use to which the Property may or may not be put; (ii) in purchasing the Property, Buyer is not relying upon any representation made by any real estate broker, including Seller's broker, or by any other agent of Seller; and (iii) Seller's broker had, and has, no authority to make any representation concerning the Property or any matter or condition relating thereto. Buyer agrees that, subject to the provisions of Sections 5.2.1 and 7.2 of the Agreement, from and after Close of Escrow, Buyer shall conclusively be deemed to have accepted the Property in its then existing condition, "AS IS" "WITH ALL FAULTS", without warranty of any kind, and with all faults, defects and problems of any kind or nature whatsoever that may then exist, whether the same are of a legal nature, a physical nature or otherwise, including, without limitation, any faults and/or problems that could have been discovered by Buyer prior to entering into this Agreement, whether or not the same had actually been discovered at that time.

9.2 Waiver, Release and Indemnification. Buyer hereby expressly waives and forever releases any and all claims that Buyer may now have or hereafter acquire against Seller arising in any manner from any matter covered by the provisions of Paragraph 7.1 or this Article 9, in particular, or from the Property, in general, whether related to the valuation of the Property; to any defect, error or omission in any Improvement; or to any other condition (including, without limitation, any environmental condition) affecting the Property, or otherwise, provided, however, that such waiver and release shall not apply to any matter against which Seller has expressly agreed to indemnify Buyer, as provided elsewhere in this Agreement, to any matter specified in Paragraphs 5.2.1, 7.2, 15.2 or 15.19. The foregoing release specifically includes any claim under any Environmental Laws. In addition, Buyer agrees to indemnify, defend (with counsel acceptable to Seller, in its discretion) and hold Seller harmless from and against, all costs, expenses, claims, damages, losses and liabilities (including attorneys' fees in connection therewith) arising in any manner from, or related in any manner to, the activities of Buyer, its affiliates, agents, employees, representatives or contractors, on under, in around or related to the Property, including, without limitation, any which arise from or relate to environmental contamination or any adverse physical condition of the Property, unless caused by the gross negligence or willful misconduct of Seller, its affiliates, agents or employees or related to the mere discovery, so long as there is no exasperation of, a pre-existing environmental or physical

condition. Buyer shall execute and deliver to Seller, through Escrow, a Waiver, Release and Indemnification Agreement in the form of Exhibit "E" hereto, together with such other and further documentation evidencing the foregoing provisions of this Paragraph 9.2 as Seller may request.

BUYER EXPRESSLY WAIVES ANY RIGHTS AGAINST SELLER ARISING UNDER CALIFORNIA CIVIL CODE SECTION 1542 WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH, IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

9.3 Costs of Testing and Inspection. Buyer shall bear the cost of any inspections, studies or tests undertaken by Buyer upon or about the Property. The provisions of Paragraph 9.2 shall apply to any claims resulting from the entry or activities of Buyer or Buyer's representatives, employees, agents, contractors or affiliates on the Property before and after execution of this Agreement. Buyer's indemnification liability shall in no way be limited by any liquidated damages clause in favor of Seller contained herein. Buyer shall repair any damage to the Property caused by any such inspection, study or test, and shall otherwise restore the Property to the condition which existed prior to the conduct of the same. Buyer shall not make any repair or cause any work to be done on or to the Property prior to Close of Escrow unless Seller has previously consented in writing to such work or repair. Prior to the Closing, under no circumstance shall Buyer use, store or dispose of, or cause or permit to be used, stored or disposed of on or about the Property, any flammable material, asbestos, radioactive material, hazardous waste, toxic substance or injurious material (whether injurious by itself or in combination with other materials). Buyer does hereby grant Seller a security interest in the Deposit as security for Buyer's indemnity under this Paragraph. In the event that Seller suffers any loss or damage prior to Closing resulting from Buyer's investigation of the Property or any other actions taken by or on behalf of Buyer in connection with the transaction contemplated by this Agreement, and Buyer fails to reimburse Seller for such loss or damage or settle or satisfy such claim or loss within fifteen (15) days after written notice thereof (the "Reimbursement Notice") from Seller to Buyer specifying the nature of such loss or damage, Seller shall have the right to receive the Deposit or a portion thereof as reimbursement for such loss or damage, and Buyer shall immediately replace the Deposit or any portion thereof disbursed to Seller hereunder. Buyer's failure to replace that portion of the Deposit disbursed to Seller within twenty (20) days following its receipt of the Reimbursement Notice shall be deemed a default by Buyer under this Agreement. The provisions of this Paragraph 9.3 shall survive the Closing or earlier termination of this Agreement.

ARTICLE 10. BUYER'S CONTINGENCIES. Buyer's obligations to purchase the Property under this Agreement are expressly contingent upon satisfaction of the following conditions ("Buyer's Contingencies").

10.1 Natural Hazard Disclosure Report. Buyer's approval, in Buyer's sole and subjective discretion, by on or before the end of the Investigation Period, of the Natural Hazard Disclosure Report as referenced in Section 5.1.4.

10.2 Documents. Seller shall have delivered to Escrow Agent, in the manner, and at the times specified elsewhere in this Agreement, all instruments and documents required to be delivered by Seller to Escrow Agent hereunder.

10.3 Performance by Seller. Seller shall have satisfactorily performed each and every one of its obligations under this Agreement.

10.4 Seller's Representations. Seller's representations must be and remain true and correct as of the Close of Escrow.

10.5 Commitment to Issue Buyer's Title Insurance Policy. Title Company shall be committed to issue the Title Policy to Buyer upon Close of Escrow.

ARTICLE 11. SELLER'S CONTINGENCIES. Seller's obligations to sell the Property under this Agreement are expressly contingent upon satisfaction of each of the following conditions ("Seller's Contingencies"), and Seller shall not be required to close under this Agreement unless all of the following conditions have been satisfied or waived by Seller:

11.1 Payment and Documents. Buyer shall have delivered to Escrow Agent, in the manner, and at the times, specified elsewhere in this Agreement, all monies, and other instruments and things required to be delivered by Buyer hereunder.

11.2 Buyer's Warranties. Buyer's Warranties must be and remain true and correct as of Close of Escrow.

11.3 No Adverse Financial Condition. There must not have occurred the filing by or against Buyer of a voluntary or involuntary bankruptcy or insolvency petition or collection or creditor's rights action.

11.4 Performance by Buyer. Buyer shall have satisfactorily performed each and every one of its obligations under this Agreement.

ARTICLE 12. POSSESSION, RISK OF LOSS. Seller shall deliver possession of the Property to Buyer at Close of Escrow, subject only to the Permitted Exceptions. All risk of loss or damage with respect to the Property shall pass from Seller to Buyer at Close of Escrow.

ARTICLE 13. DAMAGE OR DESTRUCTION OF THE PROPERTY; CONDEMNATION. If, between the Effective Date and Close of Escrow, the Property is materially damaged or destroyed, or a taking or condemnation of all, or any portion, of the Property is threatened or commenced, Buyer may elect, in writing given within five (5) days after receipt of notice from Seller (and which Seller shall promptly notify Buyer upon discovery of any such damage, taking or condemnation) of such damage, destruction, taking or condemnation, accompanied by information regarding the amount and payment of insurance or condemnation proceeds, to terminate this Agreement or to purchase the Property without regard to such damage, destruction, taking or condemnation. If Buyer fails to notify Escrow Agent and Seller of such election within such five (5) day period, Buyer will conclusively be deemed to have elected to proceed with the purchase of the Property without regard to such damage, destruction, taking or condemnation. In the event that Buyer elects to purchase, Seller shall have no obligation to repair or replace any portion of the Property damaged or destroyed, nor shall the Purchase Price be adjusted. "Materially damaged or destroyed" as used herein shall mean damage or

destruction the estimated cost of repair or replacement of which would exceed \$100,000. If, between the Effective Date and Close of Escrow, the Property sustains non material damage, Seller assumes the risk for such non material damage and shall credit Buyer at Close of Escrow with the estimated cost to repair such damage. Estimates of repair costs hereunder shall be made in each case by a licensed general contractor approved by Buyer and Seller, based only upon the cost to repair such damage but not on full replacement value.

If Buyer elects to terminate this Agreement as provided above, Seller shall be entitled to receive any insurance proceeds or condemnation awards payable as a result of such damage, destruction, taking or condemnation. If Buyer elects to purchase the Property despite such damage, destruction, taking or condemnation, Buyer shall be entitled to receive from Seller any insurance proceeds or condemnation awards payable as a result of such damage, destruction, taking or condemnation. Notwithstanding anything to the contrary contained in this Article 13, in the event Seller determines that the amount of insurance proceeds or condemnation awards payable as a result of such damage, destruction, taking or condemnation exceeds the Purchase Price, Seller may elect, within ten (10) Business Days following confirmation of the insurance settlement, in its sole discretion, to terminate this Agreement and, upon any such termination, to receive and retain any such insurance proceeds or condemnation awards.

ARTICLE 14. MAINTENANCE AND MANAGEMENT OF THE PROPERTY.

14.1 Seller Will Continue to Maintain. From the Effective Date until Close of Escrow, Seller agrees to continue to manage and maintain the Property using reasonable efforts consistent with such management and maintenance standards as Seller has employed in managing and maintaining the Property prior to the Effective Date.

14.2 Seller Will Not Enter Long Term Contracts. Prior to Close of Escrow, Seller will not, without Buyer's prior written consent, enter into or renew any contract or agreement pertaining to the management or maintenance of the Property which will expire more than thirty (30) days after Close of Escrow. If Seller desires to take any of the actions described above, Seller shall so notify Buyer. Buyer shall have five (5) days from receipt of Seller's notice to object in writing to any proposed action described in Seller's notice; Buyer shall not unreasonably withhold its consent to any such proposed action. Buyer's failure to notify Seller on a timely basis of any objection shall conclusively be deemed approval by Buyer.

14.3 Termination of Management Contract. Effective upon Close of Escrow, Seller shall terminate any existing property management contract relating to the Property. Prior to the expiration of the Inspection Period, Buyer shall notify Seller of those Service Agreements (if any) that Buyer does not wish to assume at Closing. Seller shall cause all of such Service Agreements to be terminated at or prior to Closing, and Buyer shall assume the other Service Agreements not objected to by Buyer at Closing. However, if any of the Service Agreements that Buyer directs Seller to terminate cannot be terminated within the aforesaid time period, then Seller shall be responsible for all fees payable thereunder through the Closing Date, and Buyer shall assume the responsibilities thereunder, including all fees payable, beginning on the Closing Date until such termination is effective.

14.4 Notice of Sale to Tenants. If Borrower requests prior to Close of Escrow, Seller shall provide Buyer with notices addressed to all tenants notifying them of the sale to Buyer and directing them to thereafter pay rent at such place and in such manner as Buyer shall direct.

ARTICLE 15. MISCELLANEOUS.

15.1 Survival. Unless expressly set forth in this Agreement, the representations and warranties in this Agreement shall not survive the Close of Escrow or the termination of this Agreement. However, covenants, releases and indemnities expressly set forth in this Agreement which require or contemplate performance after the Close of Escrow or the termination of this Agreement, as the case may be, shall survive the Close of Escrow or the termination of this Agreement, as the case may be.

15.2 Brokerage Commissions. Each party represents and warrants to the other that, other than Grubb & Ellis Company and Lee & Associates (collectively, "Brokers"), which Brokers will be entitled to commission only upon Close of Escrow to be paid by Seller pursuant to a separate agreement between Seller and Grubb & Ellis, no broker, finder or other person is entitled to a commission, finder's fee or other compensation in connection with this Agreement or the transactions contemplated hereby, and each party shall indemnify, defend and hold the other party harmless from and against any and all claims, liabilities, losses, damages, costs and expenses (including attorneys' fees) arising from the claim of any other broker, finder or other person for such compensation, arising under, through, or as a result of, the act or omission of such party. Notwithstanding anything to the contrary set forth in this Agreement, the provisions of this Paragraph shall survive the Closing or earlier termination of this Agreement.

15.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Seller and Buyer, and their respective heirs, personal representatives, successors and assigns.

15.4 Assignment. Seller's prior written consent shall be required for any assignment of Buyer's rights under this Agreement, which consent may be given or withheld in Seller's sole and absolute discretion; provided however, Buyer may assign Buyer's rights under this Agreement to an entity either owned or controlled by or otherwise formed by Buyer (any such entity, an "Affiliate") specifically to take title to the Property, with Seller's prior written consent, which consent will not be unreasonably withheld, conditioned or delayed, provided that (i) Buyer shall remain jointly and severally liable for the obligations contained in this Agreement; (ii) Buyer and Affiliate, by accepting assignment of this Agreement, expressly agree to defend and indemnify Seller from any litigation arising out of the assignment; (iii) no further assignment shall occur without the prior written consent of Seller; (iv) written notice of the assignment, including the name of the assignee, is provided to Seller no fewer than five (5) business days prior to the Closing; and (v) Buyer shall provide to Seller at Closing an Assignment and Assumption of Real Estate Purchase and Sale Agreement in the form attached hereto as Exhibit "F", executed by both Buyer and Affiliate. Any attempted assignment, except with Seller's prior written consent, shall be void and shall constitute a default by Buyer. Buyer represents, warrants and certifies to Seller that (a) if Buyer is a corporation or partnership, then the identity, address and ownership interests of all principals of Buyer, which shall include all direct and indirect, legal or beneficial, owners of equity or debt interests in Buyer, have been disclosed to Seller; (b) Buyer has not assigned, transferred or encumbered or agreed to assign, transfer or encumber, directly or indirectly, all or any portion of its rights or obligations under this Agreement to any other person; and (c) if Buyer is a corporation or partnership, then no shareholder or partner (general or limited) of Buyer has assigned, transferred or encumbered, or agreed to assign, transfer or encumber, directly or indirectly, all or any portion of its interest in Buyer.

15.5 Entire Agreement. This Agreement, together with the Addendum and the Exhibits attached hereto, contains the entire agreement between Buyer and Seller and supersedes all prior agreements, representations, warranties or statements whether written or oral. The Exhibits attached hereto are incorporated herein by reference as if set forth herein in full. No additions or modifications of any term or provision shall be effective unless set forth in writing, signed by both Buyer and Seller.

15.6 Time of the Essence. Time is of the essence of this Agreement and of each and every term, condition, obligation and provision hereof.

15.7 Counterparts. This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15.8 Attorneys' Fees. In the event of any action, suit or other proceeding to enforce this Agreement or arising out of the breach of any representation, warranty, covenant, condition, agreement or provision hereof, the prevailing party shall be entitled to have and recover of and from the other party all of such prevailing party's costs and expenses of suit, including all reasonable attorneys' and paralegals' fees and costs due in connection with such proceeding, including, without limitation, any appellate, bankruptcy or administrative proceedings. The parties stipulate and agree that the tribunal before which such proceeding is brought shall designate a prevailing party on the basis of which party has obtained the greater relief under the provisions of this Agreement. The provisions of this Paragraph shall survive the Closing or earlier termination of this Agreement.

15.9 Notices. All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments or designations required under this Agreement or by law from either party to the other shall be in writing and shall be sufficiently given and served upon the other party if personally served, or sent by registered or certified mail, return receipt requested, postage prepaid, or sent by reasonably reliable courier service providing overnight or sooner delivery, postage prepaid, and addressed as provided in the Addendum attached hereto. The effective date of any such notice or other item shall be either (a) the date of personal service, (b) the delivery date on the return receipt, or (c) the date of deposit, postage prepaid, with a reasonably reliable courier service providing overnight or sooner delivery, whichever is applicable. The parties may designate any other addresses for the service of notices by furnishing same in accordance with this Paragraph 15.9.

15.10 Invalid Provisions. If any one or more of the provisions of this Agreement shall, for any reason, be held to be invalid, unenforceable or illegal in any respect, such invalidity, unenforceability or illegality shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid, unenforceable or illegal provision had not been set forth herein.

15.11 No Waiver. The waiver by either party of the performance of any covenant, condition or promise shall not invalidate this Agreement and shall not be considered a waiver of any other covenant, condition or promise. No such waiver shall constitute a waiver of the time for performing any other act or an identical act required to be performed at a later time. The exercise of any remedy provided in this Agreement shall not constitute a waiver of any remedy

provided by law or in equity, and the provision in this Agreement of any remedy shall not exclude any other remedy unless such remedy is expressly excluded hereby.

15.12 **WAIVER OF LIS PENDENS.** AS A MATERIAL PART OF THE CONSIDERATION TO BE RECEIVED BY SELLER UNDER THIS AGREEMENT, BUYER WAIVES ALL RIGHTS TO FILE AND MAINTAIN AN ACTION AGAINST SELLER FOR SPECIFIC PERFORMANCE AND TO RECORD A LIS PENDENS AGAINST THE PROPERTY IF A DISPUTE ARISES CONCERNING THIS AGREEMENT. BY INITIALLING BELOW, BUYER AGREES THAT THE PROPERTY IS NOT UNIQUE, THAT BUYER IS PURCHASING THE PROPERTY FOR INVESTMENT PURPOSES ONLY, AND THAT BUYER THEREFORE CAN BE ADEQUATELY COMPENSATED PURSUANT TO THE REMEDIES SET FORTH HEREIN.

Buyer: _____ Seller: _____

15.13 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

15.14 **Further Assurances.** Each party agrees to cooperate with the other party and to execute such additional instruments as may be reasonably necessary or proper in order to carry out the provisions of this Agreement.

15.15 **Saturdays, Sundays, Holidays.** If any date or time period specified herein shall fall or expire on a day which is a Saturday, Sunday or day which is widely recognized as a legal holiday in Los Angeles County, California, such date or time period shall be deemed to be extended to the next immediately following Business Day.

15.16 **Effect of Termination.** In the event of a termination of this Agreement in the manner specifically authorized by any provision hereof, and provided that neither party is then in default hereunder, this Agreement, and each party's respective obligations hereunder (except those which are expressly designated herein as surviving termination), shall, without notice, automatically terminate and be of no further force or effect.

15.17 **Ownership of Test Data.** Buyer agrees that the results of any inspection, test or study, and any reports or conclusions reached by Buyer, or any agent or subcontractor of Buyer, relating in any manner to the Property have been or will promptly be disclosed to Seller. If Escrow does not close for any reason, Buyer agrees that all data, test results, conclusions, reports or studies prepared or performed for Buyer with respect to the Property shall be conveyed or transferred to Seller at no cost to Seller and shall thereafter become the sole and separate property of Seller; provided, however, Buyer shall have no obligation to convey or transfer any of the following: (i) internal analyses, (ii) attorney or accountant work product, (iii) attorney client privileged documents, (iv) internal correspondence of Buyer or any direct or indirect owner of any beneficial interest in Buyer, and (v) such other information in the possession or control of Buyer or any direct or indirect owner of any beneficial interest in Buyer which such party reasonably deems proprietary or confidential.

15.18 **Confidentiality.** Buyer shall keep confidential, and not disclose to any person or entity, any information which may be derived from any inspection, test or study relating to the Property conducted by or on behalf of Buyer, as well as any report, statement, document or other information delivered to Buyer by Seller pursuant to this Agreement, excluding, however,

information that is available from public records, information that is or becomes generally available to the public because of release by Seller or information that must be released under applicable law, the Securities Exchange Act (as amended), as required by the U.S. Securities Exchange Commission or a valid final judicial or administrative order, including, without limitation, the filing of an 8-K or 10-Q (collectively, "Confidential Information"). Notwithstanding the provisions of the immediately preceding sentence, Buyer may disclose Confidential Information, to the extent such disclosure is necessary or required in connection with the transactions contemplated by this Agreement, to Buyer's officers or partners (if Buyer is a corporation or partnership), employees, agents, attorneys, consultants and prospective lenders (collectively, "Buyer's Representatives"). Prior to disclosing any Confidential Information to Buyer's Representatives, Buyer shall instruct Buyer's Representatives to keep the information confidential in accordance with the provisions of this Agreement. This Paragraph 15.18 shall terminate at Close of Escrow if Buyer completes the purchase of the Property. In the event Buyer does not purchase the Property for any reason, Buyer shall return to Seller all Confidential Information and the provisions of this Paragraph 15.18 shall thereafter continue to apply, in perpetuity, to all Confidential Information received by Buyer.

15.19 WAIVER OF JURY TRIAL; JUDICIAL REFERENCE AGREEMENT. To the fullest extent permitted by law, buyer and seller HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY in any action, proceeding and/or hearing (hereinafter, a "Claim") on any matter whatsoever arising out of, or in any way connected with, this agreement, the property or any agreement executed in connection with this agreement, or the enforcement of any remedy under any law, statute, or regulation. Neither party will seek to consolidate any such action in which a jury has been waived, with any other action in which a jury trial cannot or has not been waived. Buyer and Seller each represent and warrant that: (i) each has received the advice of counsel with respect to this waiver of jury trial, (ii) this waiver of jury trial is made knowingly and voluntarily, and (iii) no person on behalf of seller or Buyer has made any representation of fact to induce this waiver of trial by jury. Each party is hereby authorized to file this document with the clerk or judge of any court of competent jurisdiction as a statutory written consent to waiver of trial by jury by the parties.

15.19.1 Judicial Reference. In the event the jury trial waiver provisions set forth above are not permitted for any reason, Seller and Buyer hereby agree: (i) each Claim shall be determined by a consensual general judicial reference (the "Reference") pursuant to the provisions of Section 638 et seq. of the California Code of Civil Procedure, as such statutes may be amended or modified from time to time; (ii) upon a written request, or upon an appropriate motion by either Seller or Buyer, any pending action relating to any Claim and every Claim shall be heard by a single Referee (as defined below) who shall then try all issues (including any and all questions of law and questions of fact relating thereto), and issue findings of fact and conclusions of law and report a statement of decision. The Referee's statement of decision will constitute the conclusive determination of the Claim. Seller and Buyer agree that the Referee shall have the power to issue all legal and equitable relief appropriate under the circumstances before the Referee; (iii) Seller and Buyer shall promptly and diligently cooperate with one another and the Referee, and shall perform such acts as may be necessary to obtain prompt and expeditious resolution of all Claims in accordance with the terms of this Section 15.19; (iv) either Seller or Buyer may file the Referee's findings, conclusions and statement with the clerk or judge of any appropriate court, file a motion to confirm the Referee's report and have judgment entered thereon. If the report is

deemed incomplete by such court, the Referee may be required to complete the report and resubmit it; (v) Seller and Buyer will each have such rights to assert such objections as are set forth in Section 638 et seq. of the California Code of Civil Procedure; and (vi) all proceedings shall be closed to the public and confidential, and all records relating to the Reference shall be permanently sealed when the order thereon becomes final.

15.19.2 Referee. Seller and Buyer shall select a single neutral referee (the "Referee"), who shall be a retired judge or justice of the courts of the State of California, or a federal court judge, in each case, with at least ten years of judicial experience in civil matters. The Referee shall be appointed in accordance with Section 638 of the California Code of Civil Procedure (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts). If within ten (10) days after the request or motion for the Reference, Seller and Buyer cannot agree upon a Referee, either Seller or Buyer may request or move that the Referee be appointed by the Presiding Judge of the Los Angeles County Superior Court or of the U.S. District Court for the Central District of California. The Referee shall determine all issues relating to the applicability, interpretation, legality and enforceability of this Section 15.19.

15.19.3 Other Remedies. No provision of this Section 15.19 shall limit the right of either Seller or Buyer, as the case may be, to (1) exercise such self-help remedies as might otherwise be available under applicable law, (2) initiate judicial or non-judicial foreclosure against any real or personal property collateral, (3) exercise any judicial or power of sale rights, or (4) obtain or oppose provisional or ancillary remedies, including without limitation, injunctive relief, writs of possession, the appointment of a receiver, and/or additional or supplementary remedies from a court of competent jurisdiction before, after or during the pendency of the Reference. The exercise of, or opposition to, any such remedy does not waive the right of Seller or Buyer to the Reference pursuant to this Section 15.19.

15.19.4 Costs. Promptly following the selection of the Referee, Seller and Buyer shall each advance equal portions of the estimated fees and costs of the Referee. In the statement of decision issued by the Referee, the Referee shall award costs, including reasonable attorneys' fees, to the prevailing party, if any, and may order the Referee's fees to be paid or shared by Buyer and/or Seller in such manner as the Referee deems just.

ARTICLE 16. OTHER TERMS AND CONDITIONS. The notice provisions and any additional terms and conditions, if any, are set forth in the Addendum attached hereto.

ARTICLE 17. ACCEPTANCE. If this Agreement is not executed by Buyer and delivered to Seller on or before 5:00 p.m., C.S.T on the Acceptance Deadline Date, this Agreement shall be null and void and neither party shall have any further obligations hereunder.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

Executed this 7th day of January, 2011.

BUYER:

PC MALL, INC.
a Delaware corporation

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

Executed this 7th day of January, 2011.

SELLER:

CITIBANK, N.A., a national banking association

By: /s/ Kathryn Covert
Name: Kathryn Covert
Its: Vice President

The escrow instructions set forth above are hereby acknowledged and accepted by:

ESCROW AGENT:

FIDELITY NATIONAL TITLE COMPANY

By: /s/ Natalie Priestley
Print Name: Natalie Priestley

Executed this 7th day of January, 2011.

**ADDENDUM TO AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE
AND JOINT ESCROW INSTRUCTIONS BETWEEN
CITIBANK, NA., AS SELLER AND
PC MALL, INC., AS BUYER**

NOTICE PROVISIONS

To Buyer:

Attn: _____
() _____

With a copy to:

Bryan Cave LLP
3161 Michelson Drive, Suite 1500
Irvine, CA 92612-4414
Attention: Willaim B. Tate II
(949) 223-7333

To Seller:

CITIBANK, N.A.
8401 North Central Expressway, Suite 500
Dallas, TX 75225
Attn: Kathryn Covert
(972) 419-3483

With a copy to:

Buchalter Nemer
333 Market Street, 25th Floor
San Francisco, CA 94105
Attn: Melinda L. Sesto, Esq.

To Escrow Agent:

Fidelity National Title Company
1300 Dove Street, Suite 310
Newport Beach, CA 92660
Attn: David James
(949) 622-5000

Exhibit "A"

LEGAL DESCRIPTION OF THE REAL PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF EL SEGUNDO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCEL 2 OF PARCEL MAP NO. 16543, IN THE CITY OF EL SEGUNDO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 183 PAGE 66 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL OIL, GAS AND OTHER HYDROCARBONS; NON-HYDROCARBON GASES OR GASEOUS SUBSTANCES; ALL OTHER MINERALS OF WHATSOEVER NATURE, WITHOUT REGARD TO SIMILARITY TO THE ABOVE-MENTIONED SUBSTANCES; AND ALL SUBSTANCES THAT MAY BE PRODUCED THEREWITH FROM SAID REAL PROPERTY; ALL WITHOUT THE RIGHT TO USE THE SURFACE OF SAID LAND NOR THE FIRST 500 FEET BELOW THE SURFACE THEREOF OR TO CONDUCT ANY OPERATIONS THEREON OR THEREIN, AS EXCEPTED AND RESERVED BY CHEVRON U.S.A., INC., A CALIFORNIA CORPORATION IN DEED RECORDED MARCH 30, 1984 AS INSTRUMENT NO. 84-389700, OFFICIAL RECORDS.

ALSO EXCEPT ALL GEOTHERMAL RESOURCES, EMBRACING: INDIGENOUS STEAM, HOT WATER AND HOT BRINES; STEAM AND OTHER GASES, HOT WATER AND HOT BRINE RESULTING FROM WATER, GAS OR OTHER FLUIDS, ARTIFICIALLY INTRODUCED INTO SUBSURFACE FORMATIONS; HEAT OR OTHER ASSOCIATED ENERGY FOUND BENEATH THE SURFACE OF THE EARTH; AND BYPRODUCTS OF ANY OF THE FOREGOING SUCH AS MINERALS (EXCLUSIVE OF OIL OR HYDROCARBON GAS THAT CAN BE SEPARATELY PRODUCED) WHICH ARE FOUND IN SOLUTION OR ASSOCIATION WITH OR DERIVED FROM ANY OF THE FOREGOING; ALL WITHOUT THE RIGHT TO USE THE SURFACE OF SAID LAND NOR THE FIRST 500 FEET BELOW THE SURFACE THEREOF OR TO CONDUCT ANY OPERATIONS THEREON OR THEREIN, AS EXCEPTED AND RESERVED BY CHEVRON U.S.A. INC., A CALIFORNIA CORPORATION IN DEED RECORDED MARCH 30, 1984 AS INSTRUMENT NO. 84-389700, OFFICIAL RECORDS.

PARCEL A1:

A NON-EXCLUSIVE EASEMENT FOR THE PASSAGE OF VEHICLES AND PEDESTRIANS OVER AND ACROSS THOSE PORTIONS OF PARCELS 3 AND 4 OF PARCEL MAP NO. 16543, IN THE CITY OF EL SEGUNDO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 183 PAGE 66 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING WITHIN THE EASEMENT AREA AS DEFINED AND DESCRIBED IN THAT CERTAIN RECIPROCAL EASEMENT AGREEMENT, RECORDED SEPTEMBER 12, 2003 AS INSTRUMENT NO. 03-2677348, OF OFFICIAL RECORDS.

APN: 4138-007-045

Exhibit "B"

BILL OF SALE

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Citibank, N.A. ("Seller", hereby transfers and conveys to _____, a _____ ("Buyer"), and Buyer hereby accepts, all of Seller's right, title and interest in and to all of the personal property located on or used in connection with the property described in Exhibit "A" hereto, located at _____, California.

Seller has not made and does not make any express or implied warranty or representation of any kind whatsoever with respect to the foregoing items of personal property, including without limitation, any express or implied warranty of title, merchantability, fitness for particular purpose, design or condition, compliance with the requirements of any rule, law, regulation, ordinance, specification or contract, patent infringement or latent defect. **THE FOREGOING ITEMS ARE SOLD "AS IS" AND "WITH ALL FAULTS."**

This Bill of Sale is given pursuant to that certain Agreement for Purchase and Sale of Real Estate and Joint Escrow Instructions dated as of _____, 2011, by and between Seller and Buyer.

IN WITNESS WHEREOF, Seller and Buyer have executed this Bill of Sale this _____ day of _____, 2011.

SELLER:

CITIBANK, N.A.

By: _____
Name: _____
Its: _____

BUYER:

_____,
a _____

By: _____
Name: _____
Its: _____



Exhibit A to Bill of Sale

LEGAL DESCRIPTION OF THE REAL PROPERTY

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APN: 4138-007-045

DEED

(See attached)

Exhibit C to Agreement of Purchase and Sale

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

SPACE ABOVE THIS LINE
RECORDER'S USE

MAIL TAX STATEMENTS TO:

SPECIAL WARRANTY DEED

THE UNDERSIGNED GRANTOR DECLARES THAT DOCUMENTARY TRANSFER TAX IS NOT SHOWN PURSUANT TO SECTION 11932 OF THE REVENUE AND TAXATION CODE, AS AMENDED.

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Citibank, N.A., a national banking association, GRANTS, BARGAINS, SELLS AND CONVEYS to _____ (hereinafter called "Grantee"), all of Grantor's right, title and interest in and to the real property located in _____ County, California, particularly described as follows, to wit:

This conveyance is made and accepted subject to any and all easements, rights-of-way, and prescriptive rights, as shown of record in _____ County, California, or otherwise existing on or against the Property, and any and all covenants, conditions, restrictions, reservations, mineral severances, and mineral leases, affecting the Property, said exceptions and encumbrances being called the "Permitted Encumbrances".

This conveyance is also made and accepted subject to taxes for the fiscal year 2010-2011, and further subject to subsequent tax assessments for the year 2010-2011, and prior years due to change in land usage or ownership, the payment of which Grantee assumes. Taxes for the year of closing having been prorated same are hereby assumed by Grantee.

TO HAVE AND TO HOLD the Property unto Grantee, its successors and assigns FOREVER, and Grantor does hereby bind itself and its successors and assigns to WARRANT AND FOREVER DEFEND all and singular the Property, subject to the Permitted Encumbrances, unto Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof by, through or under Grantor, but not otherwise.

GRANTEE IS ACQUIRING THE PROPERTY "AS IS" WITH ALL FAULTS AND DEFECTS. EXCEPT FOR THE SPECIAL WARRANTY OF TITLE CONTAINED IN THE DEED, GRANTOR HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY DISCLAIMS ANY

Exhibit C to Agreement of Purchase and Sale

REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST PRESENT OR FUTURE, OF, AS TO CONCERNING OR WITH RESPECT TO (A) THE NATURE, QUALITY OR CONDITION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL, AND GEOLOGY, OR THE PRESENCE OR ABSENCE OF ANY POLLUTANT, HAZARDOUS WASTE, GAS OR SUBSTANCE OR SOLID WASTE ON OR ABOUT THE PROPERTY, (B) THE INCOME TO BE DERIVED FROM THE PROPERTY, (C) THE SUITABILITY OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH GRANTEE MAY INTEND TO CONDUCT THEREON, (D) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY GOVERNMENTAL AUTHORITY OR BODY HAVING JURISDICTION, (E) THE HABITABILITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR USE OR PURPOSE OF THE PROPERTY, (F) ANY CONSEQUENCES ARISING AS A RESULT OF GRANTOR'S ACQUISITION OF THE PROPERTY THROUGH FORECLOSURE OR DEED IN LIEU OF FORECLOSURE, OR (G) ANY OTHER MATTER RELATED TO OR CONCERNING THE PROPERTY. GRANTEE HAS BEEN GIVEN AN OPPORTUNITY TO INSPECT THE PROPERTY AND IS RELYING SOLELY ON ITS OWN INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY AND NOT ON ANY INFORMATION PROVIDED BY GRANTOR.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS EXECUTED THIS DEED AS OF _____, 2011.

GRANTOR:

CITIBANK, N.A.,
a national banking association

By: _____
Name:
Title:

Exhibit C to Agreement of Purchase and Sale

SCHEDULE "1" TO DEED

LEGAL DESCRIPTION OF PROPERTY

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APN: 4138-007-045

Exhibit C to Agreement of Purchase and Sale

ACKNOWLEDGMENTS TO DEED

State of TEXAS }

}

County of _____ }

On _____, 2011 before me, _____,
(name (and title, if any) of notary)

personally appeared _____,
(name and title of person signing attached document)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of Texas that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

Exhibit C to Agreement of Purchase and Sale

ATTACHMENT TO DEED

TO: _____ County Clerk/Recorder

Dear County Clerk/Recorder:

IN ACCORDANCE WITH SECTION 11932 OF THE REVENUE AND TAXATION CODE, THE UNDERSIGNED HEREBY REQUESTS THAT THIS STATEMENT OF DOCUMENTARY TRANSFER TAX NOT BE RECORDED WITH THE ATTACHED SPECIAL WARRANTY DEED BUT BE AFFIXED TO THE SPECIAL WARRANTY DEED AFTER RECORDATION AND BEFORE RETURN AS DIRECTED ON THE SPECIAL WARRANTY DEED.

THE SPECIAL WARRANTY DEED NAMES _____, AS GRANTEE. THE PROPERTY THAT IS THE SUBJECT OF THE DEED IS LOCATED IN THE COUNTY OF _____, STATE OF CALIFORNIA.

THE AMOUNT OF DOCUMENTARY TRANSFER TAX DUE ON THE ATTACHED SPECIAL WARRANTY DEED IS \$ _____ COMPUTED ON THE FULL VALUE OF THE PROPERTY LESS ANY ENCUMBRANCES REMAINING ON THE PROPERTY.

GRANTOR:

Citibank, N.A.

By: _____

Name:

Title:

Exhibit C to Agreement of Purchase and Sale

DOCUMENTS AND ITEMS DELIVERED TO BUYER BY BROKER

Phase 1-Environmental Review (ESA)

Andersen Environmental

Property Condition Assessment (PCA)

Andersen Environmental

Roof Inspection

Independent Roofing Consultants

Elevator Inspection

Lerch, Bates & Associates

HVAC Inspection

Air-Tec

Electrical Inspection

O'Bryant Electric

MEP Engineer Inspection

ARC Engineering

Structural Engineer Inspection

John A. Martin & Associates, Inc.

Exhibit D to Agreement of Purchase and Sale

Exhibit "E"

WAIVER, RELEASE AND INDEMNIFICATION AGREEMENT

This Waiver, Release and Indemnification Agreement ("Indemnification Agreement") is made, executed and delivered this day of _____, 2011, by _____, a _____ ("Indemnitor"), for the benefit of each of the Indemnitees designated hereinafter, with reference to the following facts:

A. Indemnitor and Citibank, N.A. ("Seller"), have entered into an Agreement for Purchase and Sale of Real Estate and Joint Escrow Instructions, dated as of _____, 2011 (the "Purchase Agreement"), by means of which Seller has agreed to sell, and Indemnitor has agreed to buy, that certain real property, and improvements thereon, which is more fully described in the Purchase Agreement (the "Property").

B. Indemnitor has been afforded a full and complete opportunity to inspect, examine and test the Property, and all aspects thereof, prior to closing under the Purchase Agreement and taking title to the Property.

C. Paragraph 9.3 of the Purchase Agreement provides that Indemnitor shall execute and deliver this Indemnification Agreement concurrently with, and as a condition of, the close of the transfer of the Property to Indemnitor by Seller.

In contemplation of the foregoing and in consideration of the mutual promises, agreements and undertakings of the parties to the Purchase Agreement, and the closing of the transactions provided for therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Indemnitor hereby agrees as follows:

1. Indemnitees. The persons and entities specifically intended to be beneficiaries of the undertakings and promises of Indemnitor contained herein shall consist of Seller, its present and past parent, subsidiary and affiliated corporations and divisions, together with its, and their, respective present and past directors, officers, employees, agents, servants, attorneys, brokers and representatives, and their respective successors and assigns, and each of them (all hereinafter collectively referred to as "Indemnitees").
2. Certain Environmental Definitions. As used in this Agreement, the terms "Environmental Laws" and "Hazardous Materials" shall have the meanings assigned to them in the Purchase Agreement, all of the provisions of which shall be, and hereby are, incorporated herein by this reference.
3. Indemnitor's Acknowledgments. Indemnitor hereby acknowledges that it has read, understands and hereby reconfirms as of the Close of Escrow all related provisions of the Purchase Agreement.
4. Further Representations and Warranties Regarding the Property. Indemnitor hereby represents and warrants to each Indemnitee as follows:
 - 4.1 Opportunity to Inspect and Assumption of Risk. Indemnitor has been afforded a complete opportunity to satisfy itself with regard to all matters pertaining to the Property and has either conducted, or obtained from its own efforts, such studies, investigations, inspections and other information as Indemnitor has deemed

Exhibit E to Agreement of Purchase and Sale

necessary or advisable prior to its execution of this Indemnification Agreement. Without limiting the generality of the foregoing, Indemnitor has investigated to Indemnitor's satisfaction all aspects of the Property, whether those as to which Seller has expressly disclaimed warranties, as specified above, or otherwise. Indemnitor has relied solely upon Indemnitor's own investigation of the Property, and not on any statement or representation by Seller or any employee or agent of Seller (other than representations and warranties expressly set forth in the Purchase Agreement), in entering into the Purchase Agreement and consummating the transactions provided for therein. Indemnitor has acquired the Property in its "AS IS" condition and assumes any and all risks that adverse conditions and circumstances may not have been revealed by its own independent investigation.

- 4.2 Reports Not Verified. Indemnitor further acknowledges that any information, whether written or oral, or in the form of maps, surveys, soil reports, reports regarding environmental condition, engineering studies, inspection reports, plans, specifications, or any other information whatsoever, without exception, pertaining to the Property and the buildings and other improvements included therein, and all records, rent rolls, leases and other documents pertaining to the use and occupancy of the Property, the income generated thereby, the cost and expense of maintenance and operation thereof, and any and all other matters concerning the condition, suitability, integrity, marketability, compliance with law, or other attributes or aspects of the Property and buildings and improvements included therein, have been and will be furnished to Indemnitor solely as a courtesy, and that Seller has verified neither the accuracy of any such statements or other information nor the qualifications of the persons having prepared such information. Seller shall not be responsible for any negligent misrepresentation, nondisclosure, or failure to investigate the Property or any aspect thereof on the part of Seller, any real estate broker or sales agent, or any other agent or employee of Seller, or any third party.
- 4.3 Receipt of Documents. Indemnitor has received, reviewed and investigated (or had the opportunity to investigate) to its satisfaction all matters involved, or referred to, in each of the instruments listed in Schedule 1 hereto.
5. Representations and Warranties Regarding Matters Waived and Released. Indemnitor hereby further represents and warrants to each Indemnitee as follows:
 - 5.1 Independent Legal Advice. It has received independent legal advice from counsel of its choice with respect to the meaning of this Indemnification Agreement and the consequences of the agreements and undertakings provided herein.
 - 5.2 Authority of Signators. The person or persons executing this Indemnification Agreement on behalf of Indemnitor have the full right, power and authority to execute and enter into this Indemnification Agreement on behalf of Indemnitor and to commit Indemnitor to the terms and obligations hereof.
 - 5.3 Corporate Authority of Indemnitor. Indemnitor has full corporate power and authority to enter into this Indemnification Agreement and perform its obligations

hereunder and this Indemnification Agreement constitutes the valid and binding obligation of Indemnitor enforceable in accordance with its terms.

5.4 Absence of Assignments. Indemnitor has not heretofore assigned, encumbered or in any manner transferred to any person or entity any portion of, or any interest in, any matter or thing which is subject to the waiver and release provisions of this Indemnification Agreement, and Indemnitor promises and agrees that it will not effect or attempt any such assignment, encumbrance or transfer at any time hereafter.

6. Release. Indemnitor, on behalf of itself and its present and past parent, subsidiary and affiliated corporations and divisions, together with its and their respective present and past officers, directors, employees, agents, servants, attorneys, brokers and representatives, and their respective heirs, successors and assigns, hereby fully and forever waives, and releases and discharges Indemnitees, and each of them, from and against, any and all losses, damages, liabilities, obligations, claims, causes of action, rights, contentions, demands, costs and expenses, of any kind or nature whatsoever, whether at law, in equity, or otherwise, insofar as the same relate, directly or indirectly, to:

6.1 Physical Condition. The physical condition of the Property or any improvements thereon;

6.2 Purchase Transaction. The transactions contemplated by the Purchase Agreement;

6.3 Specific Matters. Any matter which is described in either of Paragraphs 7.1 or 9.3 of the Purchase Agreement;

6.4 Other Matters Released. Any other matter which is expressly declared to be the subject of a waiver or release by Indemnitor under any provision of the Purchase Agreement;

6.5 Hazardous Materials. The presence of any Hazardous Material within, upon or under the Property; or

6.6 Environmental Laws. The compliance of the Property with any Environmental Laws;

provided, however, that the provisions of this Paragraph 6 shall not apply to any matter as to which Seller has made express representations and warranties in the Purchase Agreement.

7. Scope of Release. The waiver and release provisions of this Indemnification Agreement apply to all claims, causes of action, damages, liabilities and other released matters, whether the same arise from or relate to events or conditions known or disclosed prior to the date of this Indemnification Agreement or events or conditions which become known or disclosed, or occurrences which transpire, after the date hereof. **INDEMNITOR FURTHER EXPRESSLY WAIVES ANY RIGHTS AGAINST SELLER ARISING UNDER CALIFORNIA CIVIL CODE SECTION 1542 WHICH PROVIDES AS FOLLOWS:**

Exhibit E to Agreement of Purchase and Sale

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH, IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

BY SIGNING IN THE SPACE PROVIDED BELOW, INDEMNITOR ACKNOWLEDGES THAT IT HAS READ AND UNDERSTOOD THE PROVISIONS OF SECTIONS 6 AND 7.

INDEMNITOR:

a _____

By: _____
Name:
Title:

8. Indemnification. Indemnitor shall indemnify, defend (at all levels and with counsel acceptable to Seller, in its sole discretion) and hold Indemnitees, and each of them, harmless from and against any and all losses, damages, liabilities, obligations, claims, causes of action, rights, contentions, demands, costs and expenses (or actions in respect thereof), including, without limitation, court costs and attorneys' fees, to which any such Indemnitee may become subject, insofar as the same arise out of, or are based upon:
- 8.1 Matters Released. Any matter or thing waived or released under the provisions of the Purchase Agreement or this Indemnification Agreement;
- 8.2 Matters Indemnified Against. Any matter or thing agreed by Indemnitor to be the subject of any obligation of indemnification by Indemnitor under any provision of the Purchase Agreement;
- 8.3 Inaccurate Representations. Any inaccuracy of any representation and/or warranty made by Indemnitor in the Purchase Agreement or this Indemnification Agreement; or
- 8.4 Failure to Comply. Any failure of Indemnitor to comply with any provision of the Purchase Agreement or this Indemnification Agreement to be complied with by Indemnitor.
9. Conclusive Effect. This Indemnification Agreement shall constitute a full and complete defense to, and may be introduced in evidence as a conclusive bar to and used as the basis for an injunction in, any action, suit or other proceeding which may hereinafter be instituted, prosecuted or attempted in contravention of the provisions of this Indemnification Agreement, except for an action based upon a breach of this Indemnification Agreement itself.
10. Miscellaneous Provisions.

Exhibit E to Agreement of Purchase and Sale

- 10.1 Successors and Assigns. This Indemnification Agreement shall be binding upon and inure to the benefit of the respective heirs, personal representatives, successors and assigns of each of Indemnitor and Indemnitees.
- 10.2 Entire Agreement; Modifications. This Indemnification Agreement constitutes the full and entire understanding and agreement between Indemnitor and Seller with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, representations, understandings and statements, whether oral or written. No modification or amendment of this Indemnification Agreement shall be binding unless executed in writing by Seller.
- 10.3 Attorneys' Fees. In the event of any action, suit or other proceeding arising out of or relating to this Agreement, the prevailing party shall, in addition to any other relief that may be granted, be entitled to recover from the other party all of such prevailing party's costs and expenses, including, without limitation, attorneys' fees, incurred in such action, suit or other proceeding, including any and all appeals or petitions therefrom. The parties stipulate and agree that the tribunal before which such proceeding is brought shall designate a prevailing party on the basis of which party has obtained the greater relief under the provisions of this Indemnification Agreement.
- 10.4 Notices. All notices, statement, demands, requests, consents, approvals, authorizations, offers, agreement, appointments or designations required under this Indemnification Agreement or by law shall be in writing and shall be sufficiently given and served if personally served, or sent by registered or certified mail, return receipt requested, postage prepaid, or sent by reasonably reliable courier service providing overnight or sooner delivery, postage prepaid and addressed as hereinafter provided. The effective date of any such notice or other item shall be either (a) the date of personal service, (b) the delivery date on the return receipt, or (c) the day of deposit, postage prepaid, with a reasonably reliable courier service providing overnight or sooner delivery, whichever is applicable. The parties may designate any other addresses for the service of notices by furnishing same in accordance with this Paragraph 10.4. The initial notice addresses shall be as follows:

To Indemnitor: _____,

Attn: _____

To Seller: Citibank, N.A.

Attn: _____

- 10.5 Invalid Provisions. If any one or more of the provisions of this Indemnification Agreement shall for any reason be held to be invalid, unenforceable or illegal in any respect, such invalidity, unenforceability or illegality shall not affect any other provision of this Indemnification Agreement, and this Indemnification Agreement

By: _____
Name: _____
Its: _____

Exhibit E to Agreement of Purchase and Sale

Schedule 1 to Waiver Release and Indemnification Agreement

DOCUMENTS DELIVERED TO INDEMNITOR

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Exhibit E to Agreement of Purchase and Sale

Exhibit "F"

**ASSIGNMENT AND ASSUMPTION OF
AGREEMENT FOR PURCHASE AND SALE
OF REAL ESTATE AND JOINT ESCROW INSTRUCTIONS**

This ASSIGNMENT AND ASSUMPTION OF AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE AND JOINT ESCROW INSTRUCTIONS (this "Assignment") is made and entered into this day of , 2011, by and between , a ("Assignor"), and , a ("Assignee").

WHEREAS, Assignor entered into that certain Real Agreement for Purchase and Sale of Real Estate and Joint Escrow Instructions, dated , 2011[, as amended by that certain dated , 2011] (the "Purchase Agreement"), for that certain real property known as , California, with Citibank, N.A., a national banking association ("Seller"); and

WHEREAS, Assignor wishes to assign to Assignee its rights pursuant to the Purchase Agreement, relating to the purchase of that certain real property, with all improvements and appurtenances thereto more particularly described in the Purchase Agreement.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby assigns to Assignee all of Assignor's right, title and interest in and to the Purchase Agreement in order to expressly confer upon Assignee all of the benefits of a successor, assign or nominee of Assignor under the Purchase Agreement.

Nothing in this Assignment shall be deemed to release Assignor from being directly liable to Seller under the Purchase Agreement.

By executing this Assignment, Assignee hereby accepts the assignment of and assumes the obligations set forth in the Purchase Agreement, as aforesaid.

Assignor will indemnify, defend and hold harmless Seller for any damages, including attorneys' fees and litigation costs from any suit, claim, demand or proceeding arising out of the Assignment or by a breach of this Assignment.

Assignor hereby covenants and warrants to Seller that Assignee is the only assignee of the Purchase Agreement and Assignee hereby covenants and warrants to Seller that (i) Assignee is in good standing under the laws of the State in which the Property is located; (ii) all documents executed by Assignee which are to be delivered to Seller at Closing are or at the Closing will be duly authorized, executed, and delivered by Assignee, and are or at the Closing will be legal, valid, and binding obligations of Assignee, and do not and at the Closing will not violate any provisions of any agreement to which Assignee is a party or to which it is subject; and (iii) Assignee shall furnish all of the funds for the purchase of the Property (other than funds supplied by institutional lenders which will hold valid mortgage liens against the Property) and such funds will not be from sources of funds or properties derived from any unlawful activity.

This Assignment shall be governed by, and construed in accordance with, the laws of the State of California. This Assignment may be executed in counterparts, including facsimile

Exhibit F to Agreement of Purchase and Sale

counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

(Signatures on following page)

Exhibit F to Agreement of Purchase and Sale

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be executed as of the date and year first set forth herein.

ASSIGNOR:

_____,
a _____

By: _____
Name:
Title:

ASSIGNEE:

_____, a _____

By: _____
Name:
Title:

CONSENTED TO BY SELLER:

CITIBANK, N.A.,
a national banking association

By: _____
Name:
Title:

Exhibit F to Agreement of Purchase and Sale

FIRST AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE

THIS FIRST AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE AND JOINT ESCROW INSTRUCTIONS ("Amendment") is made as of February 7, 2011, by and among Citibank N.A., a national banking association ("Seller") and PC Mall, Inc., a Delaware corporation ("Buyer"). Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the "Agreement" described below.

Recitals

A. Seller and Buyer, previously entered into that certain Agreement for Purchase and Sale of Real Estate and Joint Escrow Instructions, dated January 7, 2011 (the "Agreement"). Pursuant to the Agreement, Seller agreed to sell to Buyer and Buyer agreed to purchase from Seller certain real property and improvements commonly known as 1940 E. Mariposa Avenue, El Segundo, California.

B. The parties wish to extend the Closing Date and certain contingency dates as provided below.

Agreement

NOW, THEREFORE, for a good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Buyer and Seller hereby agree as follows:

1. Incorporation of Recitals. The Recitals set forth above are deemed to be true and accurate in all respects and are hereby incorporated into this Amendment by this reference.

2. Extension of Closing Date. The definition of "Close of Escrow" or "Closing" is hereby amended and restated in its entirety to "Close of Escrow" or "Closing" shall mean the closing of the Escrow contemplated by this Agreement which shall be the date no later than March 9, 2011."

3. Extension of Financing and Board Approval Contingencies. In Sections 5.1.7 and 5.1.8, the date of "February 7, 2011" is hereby extended to "February 23, 2011".

4. No Other Changes. Except as modified by this Amendment, the Agreement is and shall remain unmodified and in full force and effect. In the event of any conflict between the terms of the Purchase Agreement and the terms of this First Amendment, the terms of this First Amendment shall govern and control.

5. Counterparts; Facsimile Signatures. This Amendment may be executed in any number of counterparts, and each such counterpart will for all purposes be deemed an original, and all such counterparts shall constitute one and the same instrument. Facsimile signatures shall be accepted as original signatures.

[Signatures Follow]

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

SELLER:
Citibank, N.A.
a national banking association

By: /s/Kathryn Covert
Name: Kathryn Covert
Title: Vice President

BUYER:

PC Mall, Inc.,
a Delaware corporation

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

The changes to the escrow instructions set forth above are hereby acknowledged and accepted by:

ESCROW AGENT:

Fidelity National Title Company

By: /s/Natalie Priestley
Print Name: Natalie Priestley

SECOND AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE

THIS SECOND AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE AND JOINT ESCROW INSTRUCTIONS ("Amendment") is made as of February 22, 2011, by and among Citibank N.A., a national banking association ("Seller") and PC Mall, Inc., a Delaware corporation ("Buyer"). Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the "Agreement" described below.

Recitals

A. Seller and Buyer, previously entered into that certain Agreement for Purchase and Sale of Real Estate and Joint Escrow Instructions, dated January 7, 2011 (as amended by that certain First Amendment dated February 7, 2011, the "Agreement"). Pursuant to the Agreement, Seller agreed to sell to Buyer and Buyer agreed to purchase from Seller certain real property and improvements commonly known as 1940 E. Mariposa Avenue, El Segundo, California.

B. The parties wish to extend the Closing Date and certain contingency dates and provide for a partial release of the Deposit as provided below. Terms not otherwise defined shall have the meaning given to them in the Agreement (as modified hereby).

Agreement

NOW, THEREFORE, for a good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Buyer and Seller hereby agree as follows:

1. Extension of Closing Date. The definition of "Close of Escrow" or "Closing" is hereby amended and restated in its entirety to "'Close of Escrow" or "Closing" shall mean the closing of the Escrow contemplated by this Agreement which shall be the date no later than March 25, 2011 ."

2. Extension of Financing and Board Approval Contingencies. In Sections 5.1.7 and 5.1.8, the date of "February 23, 2011" is hereby extended to "March 10, 2011 ".

3. Release of Deposit. In consideration of the extension of time to approve the transaction and obtain financing and to effectuate the Closing, Buyer hereby agrees to the unconditional release of \$100,000 of the Deposit (the "Released Deposit Money") on February 23, 2011 . Buyer agrees that notwithstanding anything in the Agreement to the contrary, the Released Deposit Money shall be non-refundable and immediately released to Seller. Buyer further agrees that, as of 4:01 p.m. C.S.T. on March 10, 2011 , if Buyer has not terminated the Agreement pursuant to the terms of either Sections 5.1.7 or 5.1.8 of the Agreement, the remaining \$400,000 of the Deposit will be immediately released to Seller, which amount shall be non-refundable as provided for in the Agreement. Buyer and Seller agree that the Deposit (including that portion constituting the Released Deposit Money) shall be applied to the "Purchase Price" at the Closing in accordance with the Purchase Agreement if Buyer purchases the Property as provided for in the Agreement.

4. No Other Changes. Except as modified by this Amendment, the Agreement is and shall remain unmodified and in full force and effect.

5. Counterparts; Facsimile Signatures. This Amendment may be executed in any number of counterparts, and each such counterpart will for all purposes be deemed an original, and all such counterparts shall constitute one and the same instrument. Facsimile signatures shall be accepted as original signatures.

[Signatures on following page(s)]

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

SELLER:

Citibank, N.A.,
a national banking association

By: /s/Kathryn Covert

Name: Kathryn Covert

Title: Vice President

BUYER:

PC Mall, Inc.,
a Delaware corporation

By: /s/Brandon LaVerne

Name: Brandon LaVerne

Its: CFO

The changes to the escrow instructions set forth above are hereby acknowledged and accepted by:

ESCROW AGENT:

Fidelity National Title Company

By: /s/Natalie Priestley

Print Name: Natalie Priestley

Summary of Executive Bonus Plan
(adopted March 22, 2011)

On March 22, 2011, the Compensation Committee of our Board of Directors approved, effective March 27, 2011, increases to the base salary annual rates of pay for our executive officers and adopted new executive incentive bonus plans for our executive officers to be effective for the fiscal year ending December 31, 2011 in replacement of prior executive bonus plans, previously adopted on August 18, 2010 for fiscal year ending December 31, 2010. The base salary rate increases include an increase for Frank Khulusi, Brandon LaVerne, Kristin Rogers, Robert Newton and Joseph Hayek, respectively, from \$807,919, \$279,414, \$339,414, \$304,414 and \$255,194, to \$833,000, \$317,500, \$350,000, \$317,500 and \$263,000.

The new executive incentive bonus plans were adopted 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, 2009 filed with the Securities and Exchange Commission on April 30, 2010. 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 incentive bonus plan for the fiscal year ending December 31, 2011, the Committee considered a report from an independent third party compensation consultant, Towers Watson, together with other recent competitive market data.

The general executive incentive bonus plan covers the following executive officers, with applicable incentive targets under the plan indicated as a percentage of base salary for each as follows: Frank F. Khulusi, Chairman, President and Chief Executive Officer — 50% of base salary; Brandon H. LaVerne, Chief Financial Officer — 40% of base salary; Kristin M. Rogers, Executive Vice President of Sales and Marketing — 40% of base salary; and Joseph B. Hayek, Executive Vice President of Corporate Development and Investor Relations — 40% of base salary. Additionally, the Compensation Committee approved an increase to Mr. Newton's annual contractual bonus opportunity of \$120,000 to an annual bonus opportunity of \$127,000. Mr. Newton does not participate in the general executive incentive bonus 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.

The general plan will be funded at the above amounts if the company achieves 100% of a target of adjusted EBITDA for the 2011 calendar year, excluding the results of its new OnSale segment. Adjusted EBITDA is defined under the plan as earnings before interest, taxes, depreciation and amortization, and adjusted for stock-based compensation and non-recurring special charges, if any, to be excluded from the calculation of EBITDA in the discretion of the Compensation Committee.

The plan also has a minimum adjusted EBITDA for any 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 adjusted 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 adjusted 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 adjusted 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 130% 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%, with a maximum funding of 200% of the incentive bonus targets. 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. If the company achieves 130% or more of the performance target, the plan may be funded and incentive bonuses paid at 200% of the above described incentive bonus target amounts.

All amounts funded may be reduced at the sole discretion of the Compensation Committee based upon qualitative or quantitative factors. In addition to participation in the executive incentive bonus plan, as described above, all of our executive officers are eligible for discretionary bonuses as determined from time to time by our Compensation Committee.

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. On March 22, 2011, the Compensation Committee approved the annual base salary and bonus arrangements noted in the table below. The annual base salaries will become effective on March 27, 2011, and the bonus arrangement is effective for the fiscal and calendar year ending December 31, 2011.

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. We generally pay bonuses, if any, to our executive officers on an annual basis, with the exception of Mr. Newton as noted below. Certain of our executive officers participate in the executive bonus plan that was adopted by the Compensation Committee on March 22, 2011, a description of which is included in Item 9B and as Exhibit 10.35 in this Form 10-K. In addition to the bonus arrangements noted in the table below, all of our executive officers are eligible for discretionary bonuses as determined from time to time by the Compensation Committee.

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 2011 Annual Meeting of Stockholders.

<u>Executive Officer</u>	<u>Annual Base Salary</u>	<u>Bonus</u>
Frank F. Khulusi Chairman, President and Chief Executive Officer	\$ 833,000	(1)
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	(2)
Joseph B. Hayek Executive Vice President—Corporate Development and Investor Relations	\$ 263,000	(1)

- (1) Mr. Khulusi, Mr. LaVerne, Ms. Rogers and Mr. Hayek are eligible to participate in our executive bonus plan referenced above.
(2) Mr. Newton is eligible to receive an annual bonus of up to \$127,000, paid in quarterly installments, as well as discretionary bonuses as determined from time to time by the Compensation Committee.

PC MALL, INC.

SUBSIDIARIES OF THE REGISTRANT
As of December 31, 2010

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.

<u>SUBSIDIARIES</u>	<u>JURISDICTION OF INCORPORATION</u>
AF Services, LLC	Delaware
Onsale, Inc. (1)	Delaware
OSRP, LLC	Delaware
PC Mall Canada, Inc.	Quebec
PC Mall Gov, Inc. (2)	Delaware
PC Mall Sales, Inc.	California
PC Mall Services, Inc.	Delaware
Sarcom, Inc. (3)	Delaware

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- (1) Onsale, Inc. also conducts its business under the dba MacMall and ClubMac.
- (2) On September 7, 2006, PC Mall Gov, Inc., through GMR Systems, Inc., a wholly-owned subsidiary, acquired the products business from Government Micro Resources, Inc. PC Mall Gov also conducts its business under the dbas GMRI and Health Dynamix.
- (3) Sarcom, Inc. was acquired by PC Mall, Inc. on September 17, 2007. Effective August 1, 2008, Wareforce Corp. was merged with Sarcom, Inc., with Sarcom, Inc. as the surviving entity. Wareforce Corp. was previously WF Acquisition Sub, Inc. Effective December 1, 2005, CCIT, Inc. merged with WF Acquisition Sub, Inc. and the name of the combined entity was changed to Wareforce Corp. 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, DSW and NSPI.
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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 25, 2011 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California

March 25, 2011

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 25, 2011

/s/ Frank F. Khulusi

Frank F. Khulusi
Chief Executive Officer

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 25, 2011

/s/ Brandon H. LaVerne

Brandon H. LaVerne
Chief Financial Officer

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, 2010 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 25, 2011

/s/ Frank F. Khulusi

Frank F. Khulusi
Chief Executive Officer

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, 2010 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 25, 2011

/s/ Brandon H. LaVerne

Brandon H. LaVerne
Chief Financial Officer
