

Dear Fellow Stockholders,

In 2010 Systemax delivered record sales as we managed through the challenging economic and consumer environments. Our performance reflects our prudent operating approach and ability to execute on our strategic plan. We have built Systemax into a diversified multi-channel retailer with operations in North America and Western Europe that target consumers and businesses across e-Commerce, retail, direct sales and catalog channels. Our diversity sets us apart and mitigates any dependency on a specific geographic region, customer group, or distribution channel. Our multi channel approach is supported by our strong brand awareness, loyal customer base, expanding sales force, deep management team and strong balance sheet.

Results for the year were led by our business-to-business (“B2B”) operations, which are continuing to benefit from the information technology refresh cycle. Our B2B business generated double digit revenue increases in 2010 and represented half of our total revenue. We had strong performance across all markets – the U.S., Canada and in Europe, where we benefited from the strategic addition of WStore in late 2009. Revenue for our consumer business was up for the year, but more modestly than B2B, reflecting the difficult consumer environment and the price sensitivity of the web, our largest consumer channel. While on an overall basis we were pleased with these results and our strategic progress in 2010, we were not content with our bottom line performance, which remains a key focus area for our management team. We have taken a number of steps to improve margins by controlling costs and driving efficiencies across our operations and will continue to do so in 2011.

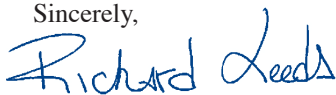
During the year we executed on a number of operating and strategic initiatives that will strengthen our competitive position and improve our ability to capitalize on our growth opportunities.

- **WStore Integration:** We completed the integration of WStore with our existing operations in France and the United Kingdom and were very pleased with the results. We are well positioned to improve our top and bottom line performance in these markets.
- **Retail Store Footprint:** We opened seven retail stores in 2010, bringing our year-end total to 41 stores. We will continue to take a very prudent approach to our retail expansion, with a strategic focus on markets where we can leverage our existing infrastructure and advertising budgets.
- **Distribution Center Opening:** In September, we shipped the first products from our new Technology Products distribution center in Georgia. This facility which will improve our logistical efficiencies as it ramps up its operations and provides us with the necessary capacity to accommodate future growth.
- **B2B Sales Force Investment:** Our sales force is a key driver of our B2B success and worldwide we added more than 150 sales agents in 2010. We will continue to make investments in our sales teams in the year ahead.
- **Retail Store Co-Branding:** In the middle of 2010 we made the strategic decision to co-brand our core retail brands in the United States, CompUSA and TigerDirect. We believe this shift has resulted in a better multi-channel strategy for our retail and web businesses, by enabling us to cross promote the brands to their combined customer bases and more efficiently utilize our advertising dollars.
- **Industrial Products Group Expansion:** The significant expansion of Global Industrial’s SKU count and introduction of new product categories helped drive strong double digit revenue growth in 2010. We continue to expand the product lines and 2011 will benefit not only from more products to sell but also from the December 2010 launch of GlobalIndustrial.ca, our Canadian website.

In the year ahead we will build upon and further leverage these accomplishments. We are also moving forward with positioning ourselves as a “tablet” computer destination for consumers as a number of exciting tablet offerings are on the way from our vendors. We look forward to the expansion of this new category on a broad scale later this year. In addition, the rollout of our Retail 2.0 powered mobility centers in our retail stores is moving forward. This is a significant expansion of our web focused mobile category that will provide customers with a full service offering at our stores – from device and plan selection to set up. Our mobility centers will serve all connected devices including smart phones, tablets or laptops, and we currently expect to have mobile centers in more than half of our U.S. stores by year-end. We made changes in the leadership of our North American Technology Products business during April 2011. We believe these actions have significantly improved the capabilities of our senior management team capabilities and look forward to improved operations.

Overall, our financial position is strong and we are in a good position to drive enhanced performance in 2011 assuming economic conditions continue to improve and we execute well. We will continue to prudently invest in and expand our businesses. Our B2B business is strong and we remain optimistic about the future for our consumer channel as we expand our product offering and the economy improves. We believe our strategic efforts to continue building a diversified and multichannel company positions us to create additional value for stockholders over the long-term. I would like to thank our stockholders for their confidence in our business strategy and senior management team; our loyal employees for their dedication and hard work; our vendors for continuing to provide us with great products at great values; and our customers for continuing to place their confidence in our ability to provide them with the products and services they want at the prices they want, which has provided Systemax with more than 60 years of success and growth.

Sincerely,

A handwritten signature in blue ink that reads "Richard Leeds". The signature is written in a cursive, flowing style.

Richard Leeds

Chairman and Chief Executive Officer

April 28, 2011

**TO RECEIVE ADDITIONAL INFORMATION ON THE COMPANY  
PLEASE SEND A WRITTEN REQUEST TO:**

**CORPORATE HEADQUARTERS:**

Systemax Inc.  
11 Harbor Park Drive  
Port Washington, NY 11050  
516-608-7000 ext. 7181  
Email: [investinfo@systemax.com](mailto:investinfo@systemax.com)  
Web Site: <http://www.systemax.com>

**INVESTOR RELATIONS:**

Brainerd Communicators, Inc.  
521 Fifth Avenue, 8th Floor  
New York, NY 10175  
Attention: Dianne Pascarella  
(212) 986-6667  
Email: [pascarella@braincomm.com](mailto:pascarella@braincomm.com)  
Website: <http://www.braincomm.com>

**TRANSFER AGENT:**

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038  
Phone: 212-936-5100  
Email: [info@amstock.com](mailto:info@amstock.com)  
Web Site: <http://www.amstock.com>

**SEND CERTIFICATES FOR TRANSFER AND ADDRESS CHANGES TO:**

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038

**STOCK EXCHANGE:**

The Company's shares are traded on the  
New York Stock Exchange under the symbol SYX.

**CORPORATE GOVERNANCE**

Copies of the Company's 2010 Annual Report on Form 10-K, Proxy Statement for the 2011 Annual Meeting, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission are available online at [www.systemax.com](http://www.systemax.com) or to stockholders without charge upon written request to the Company's address listed above, Attention: Investor Relations. In addition, on the Corporate Governance page of the Company's website, [www.systemax.com](http://www.systemax.com), stockholders can view the Company's Corporate Ethics Policy, Audit Committee Charter, Compensation Committee Charter, Nominating/Corporate Governance Committee Charter and Corporate Governance Guidelines and Principles.

**Systemax Inc. ([www.systemax.com](http://www.systemax.com)), a Fortune 1000 company, sells personal computers, computer supplies and accessories, consumer electronics and industrial products through branded e-commerce web sites, direct mail catalogs, relationship marketers and retail stores in North America and Europe. The primary brands are TigerDirect, CompUSA, Circuit City, MISCO, WStore and Global Industrial.**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**SCHEDULE 14A  
(RULE 14a-101)**

**SCHEDULE 14A INFORMATION**

Proxy Statement pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant    
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material under Rule 14a-12

**Systemax Inc.**

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

- |     |   |       |
|-----|---|-------|
| (1) | Title of each class of securities to which transaction applies  | _____ |
| (2) | Aggregate number of securities to which transaction applies:  | _____ |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): | _____ |
| (4) | Proposed maximum aggregate value of transaction:  | _____ |
| (5) | Total fee paid:   | _____ |

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- |     |   |       |
|-----|---|-------|
| (1) | Amount Previously Paid:                       | _____ |
| (2) | Form, Schedule or Registration Statement No.: | _____ |
| (3) | Filing Party:                                 | _____ |
| (4) | Date Filed:                                   | _____ |

**Systemax Inc.**  
**11 Harbor Park Drive**  
**Port Washington, New York 11050**

April 29, 2011

Dear Stockholders:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders of Systemax Inc. (the “Company”) which will be held at the Company’s corporate offices, located at 11 Harbor Park Drive, Port Washington, New York at 2:00 p.m. on Friday, June 10, 2011. Your Board of Directors looks forward to greeting those stockholders who are able to attend. On the following pages you will find the formal Notice of Annual Meeting and Proxy Statement.

For the Annual Meeting, we are pleased to use the “Notice Only” rule adopted by the Securities and Exchange Commission to furnish proxy materials to shareholders over the Internet. We believe this process will provide you with an efficient and quick way to access your proxy materials and vote your shares, while allowing us to reduce the environmental impact of our Annual Meeting and the costs of printing and distributing the proxy materials. On or about April 29, 2011, we mailed to most stockholders only a Notice of Internet Availability of Proxy Materials that tells them how to access and review information contained in the proxy materials and our annual report for Fiscal 2010 and vote electronically over the Internet. If you received only the Notice in the mail, you will not receive a printed copy of the proxy materials in the mail unless you request the materials by following the instructions included in the Notice.

At the Annual Meeting, you will be asked to: (1) elect seven Directors; (2) approve a non-binding, advisory resolution regarding the compensation of our named executives; (3) consider and act upon a non-binding, advisory proposal on the frequency of the advisory vote on the compensation of our named executives; and (4) ratify the appointment of Ernst & Young LLP as the Company’s auditors for the fiscal year ending December 31, 2011. Your Board of Directors recommends that you vote your shares “FOR” proposals (1), (2) and (4), and for “EVERY THREE YEARS” with respect to proposal (3). These proposals are more fully described in the accompanying proxy statement.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted at the Annual Meeting. Accordingly, please vote your shares over the internet at [www.proxyvote.com](http://www.proxyvote.com) or by telephone at (800) 690-6903 until 11:59 PM (EDT) on June 9, 2011, or if you received a paper proxy card, date, sign and return the proxy card as soon as possible in the envelope provided or to the address set forth in the voting instructions therein. Your cooperation will ensure that your shares are voted.

**If your shares are held in “street name” in a stock brokerage account or by a bank or other nominee, you must provide your broker with instructions on how to vote your shares in order for your shares to be voted on important matters presented at the Annual Meeting. If you do not instruct your broker on how to vote in the election of directors and on compensation matters, your shares will not be voted on these matters.**

I hope that you will attend the Annual Meeting, and I look forward to seeing you there.

Sincerely,

RICHARD LEEDS  
*Chairman and Chief Executive Officer*

**Systemax Inc.  
11 Harbor Park Drive  
Port Washington, New York 11050**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On June 10, 2011**

Dear Stockholders:

The 2011 Annual Meeting of the Stockholders of Systemax Inc. (the "Company") will be held at the Company's offices, 11 Harbor Park Drive, Port Washington, New York, on Friday, June 10, 2011 at 2:00 p.m. for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect the Company's Board of Directors;
2. To consider and approve a nonbinding advisory resolution regarding the compensation of our Named Executive Officers, as described under the heading "Executive Compensation";
3. To consider and act upon a nonbinding, advisory resolution on the frequency of the advisory vote on the compensation of our Named Executive Officers;
4. To consider and vote upon a proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accountants; and
5. To transact such other business as may properly come before the meeting and any and all adjournments or postponements thereof.

The Board of Directors has fixed the close of business on April 15, 2010 as the record date for the determination of the stockholders entitled to notice of and to vote at the meeting and at any adjournment or postponement thereof.

Stockholders are invited to attend the meeting. Whether or not you expect to attend, we urge you to vote your shares. **YOU CAN VOTE YOUR SHARES OVER THE INTERNET AT [www.proxyvote.com](http://www.proxyvote.com) OR BY TELEPHONE AT (800) 690-6903 UNTIL 11:59 PM (EDT) ON JUNE 9, 2011. IF YOU RECEIVED A PAPER PROXY CARD BY MAIL, YOU MAY ALSO VOTE BY SIGNING, DATING, AND RETURNING THE PROXY CARD IN THE ENVELOPE PROVIDED OR TO THE ADDRESS SET FORTH IN THE VOTING INSTRUCTIONS CONTAINED THEREIN.** If you attend the meeting, you may vote your shares in person, which will revoke any previously executed proxy.

If your shares are held of record by a broker, bank or other nominee and you wish to attend the meeting, you must obtain a letter from the broker, bank or other nominee confirming your beneficial ownership of the shares and bring it to the meeting. In order to vote your shares at the meeting, you must obtain from the record holder a proxy issued in your name.

Regardless of how many shares you own, your vote is very important. **PLEASE VOTE YOUR SHARES OVER THE INTERNET OR BY TELEPHONE OR IF YOU RECEIVED A PAPER PROXY CARD BY MAIL, SIGN, DATE, AND RETURN THE PROXY CARD IN THE ENVELOPE PROVIDED TODAY.**

Sincerely,

**CURT S. RUSH**  
*General Counsel and Secretary*

Port Washington, New York  
April 29, 2011

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 10, 2011**

**Our Proxy Statement and Annual Report are available online at:**

*[www.proxyvote.com](http://www.proxyvote.com)*



**Systemax Inc.**  
**11 Harbor Park Drive**  
**Port Washington, New York 11050**

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**PROXY STATEMENT**

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This proxy statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors (the “Board”) of Systemax Inc., a Delaware corporation (the “Company”), for the 2011 Annual Meeting of Stockholders of the Company to be held on June 10, 2011 (the “Annual Meeting”). The Company has made the proxy materials available to stockholders of record as of the close of business on April 15, 2011 at [www.proxyvote.com](http://www.proxyvote.com) beginning on April 29, 2011 and is first mailing such materials to stockholders that requested printed copies of such materials on or about April 29, 2011.

You can ensure that your shares are voted at the meeting by voting your shares over the internet at [www.proxyvote.com](http://www.proxyvote.com) or by telephone at (800) 690-6903 until 11:59 PM (EDT) on June 9, 2011 or by signing, dating and promptly returning a proxy, if you received a proxy by mail, in the envelope provided or to the address contained in the voting instructions therein. Voting your shares over the internet, by telephone or by sending in a signed proxy will not affect your right to attend the meeting and vote in person. Stockholders of record may revoke their proxy at any time before it is voted by notifying the Company’s Transfer Agent, American Stock Transfer & Trust Company, 59 Maiden Lane, New York, NY 10038, Attention: Proxy Department, in writing, or by executing and delivering a subsequently dated proxy to the address contained in the voting instructions in the proxy, which revokes your previously executed proxy. Beneficial holders whose shares are held of record by a broker, bank or other nominee may revoke their proxy at any time before it is voted by following the instructions of their broker, bank or other nominee.

The Company’s principal executive offices are located at 11 Harbor Park Drive, Port Washington, New York 11050.

### **Voting Procedures**

Proxies will be voted as specified by the stockholders. Where specific choices are not indicated, proxies will be voted, per the Board of Directors’ recommendations, for proposals 1, 2 and 4. With respect to Item 3, proxies will be voted in favor of **Every “Three Years”** for the frequency of voting on the advisory resolution on executive compensation. If any other matters properly come before the Annual Meeting, the persons named in the proxy will vote at their discretion.

Under the Delaware General Corporation Law and the Company’s Amended and Restated Certificate of Incorporation and By-Laws, (1) the affirmative vote of a plurality of the outstanding shares of common stock of the Company (the “Shares”) entitled to vote and present, in person or by properly executed proxy, at a meeting at which a quorum is present will be required to elect the nominated directors of the Board (Proposal 1); (2) the affirmative vote of a majority of the outstanding Shares entitled to vote and present, in person or by properly executed proxy, at a meeting at which a quorum is present will be required to approve the non-binding advisory resolution on executive compensation; (3) the affirmative vote of a majority of the outstanding Shares entitled to vote and present, in person or by properly executed proxy, at a meeting at which a quorum is present will be required to approve the non-binding advisory resolution on the frequency of the advisory vote on executive compensation; and (4) the affirmative vote of a majority of the outstanding Shares entitled to vote and present, in person or by properly executed proxy, at a meeting at which a quorum is present will be required to ratify the appointment of Ernst & Young LLP as the Company’s independent registered public accountants (Proposal 4).

Richard Leeds, Robert Leeds and Bruce Leeds (each a director and officer of the Company), together with trusts for the benefit of certain members of their respective families and other entities controlled by them, as applicable, beneficially owned as of our record date more than 50% of the shares of common stock, and they have each separately advised us that they intend to vote all of such shares of common stock they each have the power to vote in accordance with the recommendations of the Board of Directors on each of the items of business identified above, which will be sufficient to constitute a quorum and to determine the outcome of each item under consideration.

A quorum is representation in person or by proxy at the Annual Meeting of at least a majority of the outstanding Shares. Abstentions will have no effect on the election of directors (Proposal 1). Abstentions on other matters will be treated as votes cast on particular matters as well as shares present and represented for purposes of establishing a quorum, with the result that an abstention has the same effect as a negative vote. Where nominee record holders do not vote on specific issues because they did not receive specific instructions on such issues from the beneficial owners, such broker non-votes will not be treated as votes cast on a particular matter, and will therefore have no effect on the vote, but will be treated as shares present or represented for purposes of establishing a quorum.

If your shares are held through a broker, bank or other nominee, you must provide voting instructions to such record holder in accordance with such record holder's requirements in order to ensure that your shares are properly voted. If you do not provide your broker or other nominee with instructions on how to vote your "street name" shares, your broker or nominee will not be permitted to vote them on non-routine matters (a broker "non-vote"). Please note that Items 1, 2 and 3 are non-routine matters, and so shares subject to a broker "non-vote" will not be considered entitled to vote with respect to Items 1, 2 and 3, and will not affect the outcome on those Items. Please note that the rules regarding how brokers may vote your shares have recently changed. Brokers may no longer vote your shares on the election of directors, or any other non-routine matters, in the absence of your specific instructions as to how to vote. We encourage you to provide instructions to your broker regarding the voting of your shares.

A list of stockholders of the Company satisfying the requirements of Section 219 of the Delaware General Corporation Law shall be available for inspection for any purpose germane to the Annual Meeting during normal business hours at the offices of the Company at least ten days prior to the Annual Meeting.

### **Revocability of Proxies**

Any person signing a proxy in the form accompanying this proxy statement has the power to revoke it prior to the Annual Meeting or at the Annual Meeting prior to the vote pursuant to the proxy. A proxy may be revoked by any of the following methods:

- by writing a letter delivered to Curt Rush, General Counsel of the Company, stating that the proxy is revoked;
- by submitting another proxy with a later date (*i.e.*, by signing and submitting a new proxy card or by revoting by phone or by Internet as instructed above; only your latest proxy card, phone or Internet vote will be counted; or
- by attending the Annual Meeting and voting in person.

Please note, however, that if a stockholder's shares are held of record by a broker, bank or other nominee and that stockholder wishes to vote at the Annual Meeting, the stockholder must bring to the Annual Meeting a letter from the broker, bank or other nominee confirming that stockholder's beneficial ownership of the shares.

On April 15, 2011, the record date, there were outstanding and entitled to vote (excluding Company treasury shares) 36,649,264 Shares entitled to one vote per Share. Only Stockholders of record at the close of business on the record date will be entitled to vote at the Annual Meeting and at any and all adjournments or postponements thereof. Stockholders will not be entitled to appraisal rights in connection with any of the matters to be voted on at the Annual Meeting.

### **Internet Posting of Proxy Materials**

*Why did I receive a notice regarding the internet availability of proxy materials instead of paper copies of the proxy materials?*

This year, like last year, we are using the Securities and Exchange Commission, or SEC, "Notice Only"

rule that allows us to furnish our proxy materials over the Internet to our stockholders instead of mailing paper copies of those materials to each stockholder. As a result, beginning on or about April 29, 2011, we sent to most of our stockholders by mail a “Notice of Internet Availability of Proxy Materials” containing instructions on how to access our proxy materials over the Internet and vote online. This notice is not a proxy card and cannot be used to vote your shares. If you received a notice this year, you will not receive paper copies of the proxy materials unless you request the materials by following the instructions on the notice or on the website referred to in the notice.

If you own shares of common stock in more than one account—for example, in a joint account with your spouse and in your individual brokerage account—you may have received more than one notice. To vote all of your shares by proxy, please follow each of the separate proxy voting instructions that you received for your shares of common stock held in each of your different accounts.

***How can I access the proxy materials over the Internet?***

Your Notice of the Internet Availability of the proxy materials, proxy card or voting instruction card will contain instructions on how to view our proxy materials for the Annual Meeting on the Internet. Our proxy materials and annual report on Form 10-K for fiscal year 2010, as well as the means to vote by Internet, are available at [www.proxyvote.com](http://www.proxyvote.com)

***How may I obtain a paper copy of the proxy materials?***

If you receive a Notice of the Internet Availability of the proxy materials, you will find on your notice instructions about how to obtain a paper copy of the proxy materials. If you did not receive the notice, you will receive a paper copy of the proxy materials by mail.

***What is “householding”?***

SEC rules allow a single copy of the proxy materials or the Notice of Internet Availability of proxy materials to be delivered to multiple stockholders sharing the same address and last name, or who we reasonably believe are members of the same family in a manner provided by such rules. This practice is referred to as “householding” and can result in significant savings of paper and mailing costs. In accordance with SEC rules, stockholders sharing the same address and last name, or who we reasonably believe are members of the same family, will receive one copy of the proxy materials or notice of internet availability of proxy materials.

***How can I find voting results of the Annual Meeting?***

We will announce preliminary voting results at the Annual Meeting and we will publicly disclose the results on a Form 8-K within four business days of the Annual Meeting, as required by Securities and Exchange Commission rules.

**PROPOSAL NO. 1  
ELECTION OF DIRECTORS**

At the Annual Meeting, seven Directors are to be elected to serve until their successors have been elected and qualified. Information regarding such nominees is set forth below.

The accompanying proxy will be voted for the election of the Board's nominees unless contrary instructions are given. If any Board nominee is unable to serve, which is not anticipated, the persons named as proxies intend to vote, unless the Board of Directors reduces the number of nominees, for such other person or persons as the Board of Directors may designate.

Each of the nominees served as a director during fiscal year 2010. If voting by proxy with respect to the election of Directors, stockholders may vote in favor of all nominees, withhold their votes as to all nominees or withhold their votes for specific nominees.

There were no arrangements or understandings between any Director or nominee for Director and any other person pursuant to which such person was selected as a Director or nominee for Director. There are no family relationships among any of our Directors or executive officers or nominees for Director or executive officer, except that Richard Leeds, Bruce Leeds and Robert Leeds are brothers.

**Nominees**

Name of Nominee	Principal Occupation	Age	Director Since
Richard Leeds	Chairman and Chief Executive Officer of the Company	51	April 1995
Bruce Leeds	Vice Chairman of the Company	55	April 1995
Robert Leeds	Vice Chairman of the Company and Interim Chief Executive of the Company's Technology Products Group	55	April 1995
Lawrence Reinhold	P.Executive Vice President and Chief Financial Officer of the Company	51	March 2009
Robert D. Rosenthal	Chairman and Chief Executive Officer of First Long Island Investors LLC	62	July 1995
Stacy S. Dick	Chief Financial Officer of Julian Robertson Holdings	54	November 1995
Marie Kravec	Adler-Retired President of Myron Corporation	51	June 2009

Richard Leeds joined the Company in 1982 and has served as Chairman and Chief Executive Officer of the Company since April 1995. Mr. Leeds graduated from New York University in 1982 with a B.S. degree in Finance. Mr. Leeds, together with his brothers Bruce and Robert Leeds, are the majority stockholders of the Company and the sons of one of the Company's founders. Mr. Leeds served as Co-President and Chief Financial Officer of the Company prior to its becoming a public company in 1995. Mr. Leeds was selected to serve as Chairman of our Board due to his experience and depth of knowledge of the Company and the direct marketing, computer and industrial products industries, his role in developing and managing the Company's business strategies and operations, as well as his exceptional business judgment and leadership qualities.

Bruce Leeds joined the Company in 1977 and has served as Vice Chairman of the Company since April 1995. Mr. Leeds also served as President of International Operations of the Company from 1990 until March 2005. Mr. Leeds graduated from Tufts University in 1977 with a B.A. degree in Economics. Mr. Leeds, together with his brothers Richard and Robert Leeds, are the majority stockholders of the Company and the sons of one of the Company's founders. Mr. Leeds served as Co-President and Head of International Operations of the Company prior to its becoming a public company in 1995. Mr. Leeds was selected to serve as a director on our Board due to his experience and depth of knowledge of the Company and the direct marketing, computer and industrial products industries, his role in developing and managing the Company's business strategies and operations, his experience in international business as well as his exceptional business judgment.

Robert Leeds joined the Company in 1977 and has served as Vice Chairman of the Company since April 1995. Mr. Leeds also served as President of Domestic Operations of the Company from April 1995 until March 2005. On April 18, 2011, Mr. Leeds was selected to serve as the Interim Chief Executive of the Company's Technology Products Group. Mr. Leeds graduated from Tufts University in 1977 with a B.S. degree in Computer Applications Engineering. Mr. Leeds, together with his brothers Richard and Bruce Leeds, are the majority stockholders of the Company and the sons of one of the Company's founders. Mr. Leeds served as Co-President and head of Domestic Operations of the Company prior to its becoming a public company in 1995. Mr. Leeds was selected to serve as a director on our Board because of his experience and depth of knowledge of the Company and the direct marketing, computer and industrial products industries, his role in developing and managing the Company's business strategies and operations, his significant computer and technology industry experience as well as his exceptional business judgment.

Lawrence P. Reinhold joined the Company in January 2007 and has served as Executive Vice President and Chief Financial Officer of the Company since that date. In addition, Mr. Reinhold has served as a Director since March 2009. Mr. Reinhold was a business, finance and accounting consultant in 2006. Previously he was Executive Vice President and Chief Financial Officer of Greatbatch, Inc., a publicly traded developer and manufacturer of components used in implantable medical devices from 2002 through 2005; Executive Vice President and Chief Financial Officer of Critical Path, Inc. a publicly traded communications software company in 2001; and a Managing Partner of PricewaterhouseCoopers LLP with responsibility for its Technology, Information, Communications, Media and Entertainment industry practice in the Midwestern United States from 1998 until 2000 (and held other positions at that firm from 1982 until 1998). He received his B.S. degree *summa cum laude* in Business Administration in 1982 and his M.B.A. in 1987 from San Diego State University and received his Certified Public Accountant license in California in 1984. Mr. Reinhold was selected to serve as a director on our Board due to his contributions since joining the Company and his extensive experience and expertise in business, finance, accounting, SEC reporting, public company management, mergers and acquisitions and financial systems as well as his serving as a CFO of other public technology companies and a partner with an international accounting firm.

Robert D. Rosenthal has served as an independent Director of the Company since July 1995. He has been the lead independent director since October 2006. Mr. Rosenthal is Chairman and Chief Executive Officer of First Long Island Investors LLC, which he co-founded in 1983. Mr. Rosenthal is a 1971 *cum laude* graduate of Boston University and a 1974 graduate of Hofstra University Law School. Mr. Rosenthal is the chairman and CEO of a wealth management company that invests in numerous public companies and is also an attorney and member of the bar of the State of New York. Mr. Rosenthal was selected to serve as a director on our Board due to his financial, investment and legal experience and acumen.

Stacy S. Dick has served as an independent Director of the Company since November 1995. Mr. Dick has served as Chief Financial Officer of Julian Robertson Holdings since November 2008. Mr. Dick was a Managing Director of Rothschild Inc. from 2001 to 2008 and served as an executive of other entities controlled by Rothschild family interests. Mr. Dick graduated from Harvard University with an A.B. degree *magna cum laude* in 1978 and a Ph.D. in Business Economics in 1983. He has served as an adjunct professor of finance at the Stern School of Business (NYU) since 2004. Mr. Dick was selected to serve as a director on our Board due to his exceptional knowledge and experience in the areas of business, finance and economics.

Marie Adler-Kravec has served as an independent Director of the Company since June 2009. Ms. Adler-Kravec joined Myron Corporation, an international, business-to-business direct marketing company, in 1984 and served as President from 1999 to 2004. In 2005, Ms. Adler-Kravec founded Wellconnected, LLC, a consumer direct marketing company which was sold in 2008. Ms. Adler-Kravec is currently retired. Ms. Adler-Kravec received a B.S. degree in Marketing and Business Administration from George Washington University in 1981. She has been a member of the Young President's Organization since 2003 and The Executive Group from 2004 to 2008. Ms. Adler-Kravec has been on the Board of the Children's Aid and Family Service since 2004. Ms. Adler-Kravec was selected to serve as a director on our Board due to her practical experience in direct marketing and international business.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF ALL THE DIRECTOR NOMINEES, WHICH IS DESIGNATED AS PROPOSAL NO. 1.**

## CORPORATE GOVERNANCE

### Independence of Directors

In connection with its annual review of director independence, the Board has determined that each of the following Directors or nominees of the Company meets the standards for independence required by the New York Stock Exchange and Securities and Exchange Commission rules: Robert D. Rosenthal, Stacy S. Dick and Marie Adler-Kravecvas. The Board made this determination based on (a) the absence of any of the express disqualifying criteria relating to director independence set forth in Section 303A of the Corporate Governance Rules of the New York Stock Exchange and (b) the criteria for independence required of audit committee directors by Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act.

Although the Board has not adopted categorical standards of materiality for independence purposes (other than those set forth in the NYSE listing standards and the Exchange Act), information provided by the Directors to the Company did not indicate any relationships (e.g., commercial, industrial, banking, consulting, legal, accounting, charitable, or familial) which would impair the independence of any of the non-employee Directors. The Board has determined that there is no material relationship between the Company and each of Mr. Rosenthal, Mr. Dick and Ms. Adler-Kravecvas (directly or as a partner, stockholder, or officer of an organization that has a relationship with the Company) and that each of them is independent pursuant to the NYSE listing standards. In making its determination, the Board took into consideration that a private partnership, in which Messrs. Richard, Robert and Bruce Leeds are general partners, has invested funds with a private investment firm, of which Robert D. Rosenthal is Chairman and CEO. The Board (in each case with Mr. Rosenthal and Messrs. Richard, Robert and Bruce Leeds being recused) determined that such relationship was not material to Messrs. Richard, Robert and Bruce Leeds individually or collectively or to Mr. Rosenthal.

As a “controlled company,” the Company is exempt from the New York Stock Exchange requirement that listed companies have a majority of independent directors. A “controlled company” is defined by the New York Stock Exchange as a company of which more than 50% of the voting power for the election of directors is held by an individual, group or other company. The Company is a “controlled company” in that more than 50% of the voting stock for the election of directors of the Company, in the aggregate, is owned by certain members of the Leeds family (including Richard Leeds, Robert Leeds and Bruce Leeds, each of whom is an officer and Director of the Company) and certain Leeds’ family trusts (collectively, the “Leeds Group”). The members of the Leeds Group have entered into a Stockholders Agreement with respect to certain Shares they each own. See “Transactions With Related Persons” below.

### Meetings of Non-Management Directors

The New York Stock Exchange requires the “non-management directors” or independent directors of a NYSE-listed company to meet at regularly scheduled executive sessions without management and to disclose in their annual proxy statements (1) the name of the non-management director who is chosen to preside at all regularly-scheduled executive sessions of the non-management members of the board of directors and (2) a method for all interested parties to communicate directly with the presiding director or with the non-management directors as a group (this method is described below under “Communications with Directors”). The Board’s non-management or independent directors meet separately in executive sessions, chaired by the Lead Independent Director (currently Robert D. Rosenthal), at least quarterly.

### Corporate Governance Guidelines

The Company has adopted Corporate Governance Guidelines, which are available on the Corporate Governance page of our website at [www.systemax.com](http://www.systemax.com). The Corporate Governance Guidelines were last amended in April 2010.

Our Corporate Governance Guidelines establish our corporate governance principles and practices on a variety of topics, including the responsibilities, composition and functioning of the Board. The Nominating/Corporate Governance Committee assesses the Guidelines annually and makes recommendations to the

Board on any changes to implement. Our Guidelines address, among other things:

- the role and functions of our Board of Directors and management;
- director qualifications, including our director independence standards and director nomination and selection;
- the requirement to hold separate executive sessions of the independent directors;
- the conduct of Board meetings;
- policies for setting director compensation;
- director orientation and continuing education;
- policies regarding director access to management, employees and independent advisors; and
- the annual self-assessment of the Board to evaluate the effectiveness.

### **Corporate Ethics Policy**

The Company has adopted a Corporate Ethics Policy that applies to all employees of the Company, including the Company's Chief Executive Officer, Chief Financial Officer and Controller, its principal accounting officer. The Corporate Ethics Policy is designed to deter wrongdoing and to promote honest and ethical conduct, compliance with applicable laws and regulations, full and accurate disclosure of information requiring public disclosure and the prompt reporting of Policy violations. The Company's Corporate Ethics Policy is available on the Company's website ([www.systemax.com](http://www.systemax.com)). We intend to disclose on our website, in accordance with applicable laws and regulations, amendments to, or waivers from, our Corporate Ethics Policy. Our Corporate Ethics Policy was last amended in March 2010.

### **Communications with Directors**

Stockholders of the Company who wish to communicate with the Board or any individual Director can write to Systemax Inc., Attention: Investor Relations, 11 Harbor Park Drive, Port Washington, NY 11050 or send an email to [investinfo@systemax.com](mailto:investinfo@systemax.com). Your letter or email should indicate that you are a stockholder of the Company. Depending on the subject matter of your inquiry, management will forward the communication to the Director or Directors to whom it is addressed; attempt to handle the inquiry directly, as might be the case if you request information about the Company or it is a stockholder related matter; or not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic. At each Board meeting, a member of management presents a summary of all communications received since the last meeting that were not forwarded and makes those communications available to any requesting Director.

Interested parties, including non-stockholders wishing to communicate directly with the Lead Independent Director or the non-management members of the Board as a group should address their inquires by mail sent to the attention of Robert D. Rosenthal, Lead Independent Director, at the Company's principal executive office located at 11 Harbor Park Drive, Port Washington, NY 11050. All communications will be promptly relayed to the appropriate recipient(s).

Interested parties, including non-stockholders wishing to communicate directly with the Chairman of the Audit Committee or the Audit Committee as a group should address their inquires by mail to the attention of Stacy S. Dick, Audit Committee Chairman, at the Company's principal executive office located at 11 Harbor Park Drive, Port Washington, NY 11050. All communications will be promptly relayed to the appropriate recipient(s).

### **Director Attendance at Annual Meetings**

At last year's annual meeting, held on June 11, 2010, three Directors attended the meeting, including the Chairman of the Board and the Lead Independent Director. The Company does not have a policy with regards to Directors' attendance at annual stockholder meetings.

## **Board Meetings**

During fiscal year 2010, the Board of Directors held five meetings, the Audit Committee held five meetings, the Compensation Committee held five meetings, the Nominating/Corporate Governance Committee held four meetings, and the Executive Committee held no meetings. All of the Directors attended at least 75% of all of the meetings of the Board and the respective committees of the Board of which they were members.

## **Committees of the Board**

The Board of Directors has the following standing committees:

### ***Audit Committee***

The Audit Committee is appointed by the Board to assist the Board with oversight of (i) the integrity of the financial statements of the Company, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independence and qualifications of the Company's external auditors, and (iv) the performance of the Company's internal audit function and external auditors. It is the Audit Committee's responsibility to retain or terminate the Company's independent registered public accountants, who audit the Company's financial statements, and to prepare the Audit Committee report that the Securities and Exchange Commission requires to be included in the Company's Annual Proxy Statement. (See "Report of the Audit Committee" below.) As part of its activities, the Audit Committee meets with the Company's independent registered public accountants at least annually to review the scope and results of the annual audit and quarterly to discuss the review of the quarterly financial results. In addition, the Audit Committee receives and considers the independent registered public accountants' comments and recommendations as to internal controls, accounting staff, management performance and auditing procedures. The Audit Committee is also responsible for establishing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

In addition, the Audit Committee is responsible for reviewing, and discussing with management and reporting to the Board regularly, the Company's risk assessment and risk management processes. While it is the job of senior management to assess and manage the Company's exposure to risk under the oversight of the Board of Directors, the Audit Committee reviews and discusses with management the Company's risk management process. In addition, the Audit Committee works together with the Compensation Committee regarding the Company's compensation policies for all of the Company's employees as the policies relate to the Company's risk management goals and objectives. The Audit Committee also discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

The Audit Committee Charter was last amended in April 2010. A copy of the Audit Committee Charter is available on the Company's website, [www.systemax.com](http://www.systemax.com).

The current members of the Audit Committee are Stacy S. Dick (chairman), Robert D. Rosenthal and Marie Adler-Kravec. None of the current members or nominees of the Audit Committee are officers or employees of the Company. The Committee meets regularly both with and without management participation. As noted above, in the judgment of the Board, each of the members of the Audit Committee meets the standards for independence required by the rules of the Securities and Exchange Commission and the New York Stock Exchange. In addition, the Board has determined that Mr. Dick and Mr. Rosenthal are "audit committee financial experts" as defined by regulations of the Securities and Exchange Commission.

The Company does not have a standing policy on the maximum number of audit committees of other publicly owned companies on which the members of the Audit Committee may serve. However, if a member of the Audit Committee simultaneously serves on the audit committee of more than two other publicly-owned companies, the Board must determine whether such simultaneous service would impair the ability of such member to effectively serve on the Audit Committee. Any such determination will be disclosed in the Company's annual proxy statement.



### ***Nominating/Corporate Governance Committee***

The Nominating/Corporate Governance Committee's responsibilities include, among other things (i) identifying individuals qualified to become Board members and recommending to the Board nominees to stand for election at any meeting of stockholders, (ii) identifying and recommending nominees to fill any vacancy, however created, in the Board, and (iii) developing and recommending to the Board a code of business conduct and ethics and a set of corporate governance principles (including director qualification standards, responsibilities and compensation) and periodically reviewing the code and principles. The current members of the Nominating/Corporate Governance Committee are Robert D. Rosenthal (Chairman), Stacy S. Dick and Marie Adler-Kravec. In nominating candidates to become Board members, the Committee shall take into consideration such factors as it deems appropriate, including the experience, skill, integrity and background of the candidates. The Committee may consider candidates proposed by management or stockholders but is not required to do so. The Committee does not have any formal policy with regard to the consideration of any Director candidates recommended by the security holders or any minimum qualifications or specific procedure for identifying and evaluating nominees for Director as the Board does not believe that such a formalistic approach is necessary or appropriate at this time.

The Nominating/Corporate Governance Committee is responsible for developing and recommending to the Board a set of risk management policies and procedures, including the Company's compensation policies for all its employees as they relate to risk management, and to review these policies and procedures annually.

The Nominating/Corporate Governance Committee, in seeking qualified Board members, does not have a policy regarding utilizing diversity, however defined, in its selection process. The Nominating/Corporate Governance Committee looks for individuals who have very high integrity, significant business experience and a deep genuine interest in the Company. We believe that each of the director nominees and other directors bring these qualifications to our Board of Directors. Moreover, they provide our board with a diverse complement of specific business skills, experience and perspectives.

The Nominating/Corporate Governance Committee Charter was last amended in April 2010. The Nominating/Corporate Governance Committee Charter is available on the Company's website ([www.systemax.com](http://www.systemax.com)).

### ***Stockholder Nominations for Director***

Stockholders may propose candidates for Board membership by writing to Systemax Inc., Attention: Nominating/Corporate Governance Committee, 11 Harbor Park Drive, Port Washington, NY 11050 so that the nomination is received by the Company by February 10, 2012 to be considered for the 2012 annual meeting. Any such proposal shall contain the name, Company security holdings (direct or indirect; of record and/or beneficially) and contact information of the person making the nomination; a description of all direct and indirect related party transactions, compensation and other material monetary arrangements, agreements or understandings during the past three years, and any other material relationship, if any, between the stockholder and its respective affiliates or associates, or others with whom they are acting in concert, on the one hand, and the nominee and his or her respective affiliates, associates and others with whom they are acting in concert, on the other hand; the nominee's name, age, address and other contact information; any direct or indirect holdings, beneficially and/or of record, of the Company's securities by the nominee; any information regarding the nominee required to be disclosed about directors under applicable securities laws and/or stock exchange requirements; information regarding related party transactions with the Company and/or the stockholder submitting the nomination and/or the nominee; any actual or potential conflicts of interest; the nominee's biographical data, current public and private company affiliations, employment history (including current principal employment) and qualifications and status as "independent" under applicable securities laws and stock exchange requirements. Nominees proposed by stockholders will receive the same consideration as other nominees.

### ***Compensation Committee***

The Compensation Committee's responsibility is to review and approve corporate goals relevant to the

compensation of the Chief Executive Officer and, after an evaluation of the Chief Executive Officer's performance in light of such goals, to set the compensation of the Chief Executive Officer. The Compensation Committee also approves (a) the annual compensation of the other executive officers of the Company, (b) the annual compensation of certain subsidiary managers, and (c) all individual stock-based incentive grants. The Committee is also responsible for reviewing and making periodic recommendations to the Board with respect to the general compensation, benefits and perquisite policies and practices of the Company including the Company's incentive-based and equity-based compensation plans. The Compensation Committee also prepares an annual report on executive compensation for inclusion in the annual proxy statement. (See "Compensation Committee Report to Stockholders" below.) The current members of the Compensation Committee are Robert D. Rosenthal (Chairman), Stacy S. Dick and Marie Adler-Kravec.

In addition, it is the Compensation Committee's responsibility to consider, and work together with the Company's Audit Committee regarding, the Company's compensation policies for all its employees in the context of how such policies affect and promote the Company's risk management goals and objectives.

The Compensation Committee Charter was last amended in April 2010. The Compensation Committee Charter is available on the Company's website ([www.systemax.com](http://www.systemax.com)).

### *Executive Committee*

The Executive Committee consists of the Chairman of the Board and any Vice Chairman and such other Directors as may be named thereto by the Board. The current members of the Executive Committee are Messrs. Richard Leeds, Robert Leeds, Bruce Leeds and Robert D. Rosenthal, the Lead Independent Director. Among other duties as may be assigned by the Board from time to time, the Executive Committee is authorized to oversee the operations of the Company, supervise the executive officers of the Company, review and make recommendations to the Board regarding the strategic direction of the Company and review and make recommendations to the Board regarding all possible acquisitions or other significant business transactions. The Executive Committee is also authorized to manage the affairs of the Corporation between meetings of the Board; the Committee has all of the powers of the Board not inconsistent with any provisions of the Delaware General Corporation Law, the Company's Certificate of Incorporation or By-Laws or other resolutions adopted by the Board, but does not generally exercise such authority.

### **Board Leadership Structure**

As noted above, our Board currently includes three independent Directors. Richard Leeds has served as Chairman and Chief Executive Officer since April 1995. Since May 2006 (in connection with adopting various corporate governance enhancements) our independent directors have designated one of the independent directors as Lead Independent Director. We believe that the current mix of employee directors and non-employee independent directors that make up our Board, along with the independent oversight of our Lead Independent Director, benefits the Company and its stockholders.

Although the Board does not have an express policy on whether or not the roles of Chief Executive Officer and Chairman of the Board should be separate and if they are to be separate, whether the Chairman of the Board should be selected from the non-employee Directors or be an employee, the Board believes that it should have the flexibility to make a determination from time to time in a manner that is in the best interests of the Company and its stockholders at the time of such determination. At this time, the Board of Directors believes that Mr. Leeds's service as both Chairman of the Board and CEO is in the best interest of the Company and its stockholders. Mr. Leeds possesses in-depth knowledge of the issues, opportunities and challenges facing the Company and its businesses and is thus best positioned to develop agendas that ensure that the Board's time and attention are focused on the matters that are most critical to the Company and its stockholders. His combined role has produced decisive leadership, ensures clear accountability, and enhances the Company's ability to communicate its message and strategy clearly and consistently to the Company's stockholders, employees, customers and suppliers, particularly during times of turbulent economic conditions.

The Board believes that the independent directors provide effective oversight of management. Moreover, in addition to feedback provided during the course of Board meetings, the independent directors have regular executive

sessions. Following an executive session of independent directors, the Lead Independent Director acts as a liaison between the independent directors and the Chairman regarding any specific feedback or issues, provides the Chairman with input regarding agenda items for Board and Committee meetings, and coordinates with the Chairman regarding information to be provided to the independent directors in performing their duties. The Board believes that this approach appropriately and effectively complements the combined CEO/Chairman structure.

We recognize that different board leadership structures may be appropriate for companies in different situations and believe that no one structure is suitable for all companies. We believe our current Board leadership structure is optimal for us because it demonstrates to our employees, suppliers, customers, and other stakeholders that the Company is under strong leadership, with a single person setting the tone and having primary responsibility for managing our operations. Having a single leader for both the Company and the Board eliminates the potential for confusion or duplication of efforts, and provides clear leadership for the Company. We believe the Company, like many U.S. companies, has been well-served by this leadership structure.

### ***Lead Independent Director***

The independent Directors elect one independent Director to serve as a Lead Independent Director. In addition to presiding at executive sessions of nonemployee Directors, the Lead Independent Director has the responsibility to coordinate the activities of the independent Directors, and to perform the following functions: (a) advise the Chairman of the Board as to an appropriate schedule of Board meetings, seeking to ensure that the independent Directors can perform their duties responsibly while not interfering with the flow of the Company's operations; (b) provide the Chairman with input as to the preparation of agendas for the Board and committee meetings; (c) advise the Chairman as to the quality, quantity, and timeliness of the flow of information from the Company's management that is necessary for the independent directors to effectively and responsibly perform their duties, and although the Company's management is responsible for the preparation of materials for the Board, the Lead Independent Director may specifically request the inclusion of certain material; (d) recommend to the Chairman the retention of consultants who report directly to the Board; (e) assist the Board and the Company's officers in assuring compliance with and implementation of the corporate governance policies; and be principally responsible for recommending revisions to the corporate governance policies; (f) coordinate and develop the agenda for, and moderate executive sessions of, the independent directors of the Board, and act as principal liaison between the independent directors and the Chairman on sensitive issues; and (g) recommend to the Chairman the membership of the various Board committees.

Our Board conducts an annual evaluation in order to determine whether it and its committees are functioning effectively. As part of this annual self-evaluation, the Board evaluates whether the current leadership structure continues to be optimal for the Company and its stockholders. Our Corporate Governance Guidelines, as amended in April 2010, provide the flexibility for our Board to modify or continue our leadership structure in the future, as it deems appropriate.

### **Risk Oversight**

Our Board as a whole is responsible for overseeing the Company's risk management process. The Board focuses on the Company's general risk management strategy, the most significant risks facing the Company, and seeks to ensure that appropriate risk mitigation strategies are implemented by management. Risk management is a recurring Audit Committee and Board quarterly agenda item, and is considered part of strategic planning. The Board is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and receives information relating to material Company risk from management and from the Company's Legal, Risk Management/Insurance and Internal Audit Departments.

The Board has delegated to each of its committees oversight of certain aspects of the Company's risk management process. Among its duties, the Audit Committee reviews with management (a) Company processes with respect to risk assessment and management of risks that may be material to the Company, (b) the Company's system of disclosure controls and system of internal controls over financial reporting, and (c) the Company's compliance with legal and regulatory requirements. The Compensation Committee is responsible for considering and working together with the Audit Committee regarding the Company's compensation policies for all its employees in the context of how such policies affect and promote the Company's risk management goals and

objectives. The Nominating/Corporate Governance Committee is responsible for developing and recommending to the Board a set of risk management policies and procedures, including the Company's compensation policies for all its employees as they relate to risk management, and to review these policies and procedures annually. All committees report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise level risk.

The Company's senior management is responsible for day-to-day risk management. Our Internal Audit Department serves as the primary monitoring and testing function for company-wide policies and procedures, and manages the day-to-day oversight of the risk management strategy for the ongoing business of the Company. This oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, compliance and reporting levels. The Internal Auditor reports directly to our Chief Financial Officer and Audit Committee quarterly, and the Audit Committee considers risk management issues as part of its quarterly agenda.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing the Company and that our Board leadership structure supports this approach.

## **REPORT OF THE AUDIT COMMITTEE\***

The Audit Committee of the Board operates under its Charter, which was originally adopted by the Board in 2000 and revised in February 2003, August 2006, February 2009 and April 2010. As set forth in its Charter, the Audit Committee's job is one of oversight. Management is responsible for the Company's financial statements, internal accounting and financial controls, the financial reporting process, the internal audit function and compliance with the Company's policies and legal requirements. The Company's independent registered public accountants are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with standards of the Public Company Accounting Oversight Board (United States) and for issuance of a report thereon, and for monitoring the effectiveness of the Company's internal controls; they also perform limited reviews of the Company's unaudited quarterly financial statements.

The Audit Committee's responsibility is to engage the independent registered public accountants, monitor and oversee these accounting, financial and audit processes and report its findings to the full Board. It also investigates matters related to the Company's financial statements and controls as it deems appropriate. In the performance of these oversight functions, the members of the Audit Committee rely upon the information, opinions, reports and statements presented to them by Company management and by the independent registered public accountants, as well as by other experts that the Committee hires.

The Audit Committee met with the Company's independent auditors to review and discuss the overall scope and plans for the audit of the Company's consolidated financial statements for the year ended December 31, 2010. The Audit Committee has considered and discussed with management and the independent auditors (both alone and with management present) the audited financial statements as well as the independent auditors' evaluation of the Company's internal controls and the overall quality of the Company's financial reporting.

Management represented to the Audit Committee that the Company's consolidated financial statements for fiscal 2010 were prepared in accordance with U.S. generally accepted accounting principles. It discussed with Ernst & Young LLP, the Company's independent registered public accountants for fiscal 2010, those matters required to be reviewed pursuant to Statement of Accounting Standards No. 61 ("Communication with Audit Committees"), as amended by Statement of Accounting Standards No. 90 (Audit Committee Communications). The Audit Committee has received from Ernst & Young LLP written independence disclosures and the letter required by Independence Standards Board Standard No. 1 ("Independence Discussions with Audit Committees") and had a discussion with Ernst & Young LLP regarding their independence.

Based on the review of the representations of management, the discussions with management and the independent registered public accountants and the review of the Report of Ernst & Young LLP, Independent Registered Public Accounting Firm, to the Committee, the Audit Committee recommended to the Board that the financial statements of the Company for fiscal year 2010 as audited by Ernst & Young LLP be included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

AUDIT COMMITTEE  
Stacy S. Dick (Chairman)  
Robert D. Rosenthal  
Marie Adler-Kravec

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\* The information contained in this Audit Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any filings under the Securities Act of 1933, as amended, which we refer to as the Securities Act, or under the Exchange Act, except to the extent that we specifically incorporate this information by reference into any such filing.

## EXECUTIVE OFFICERS

There are no arrangements or understandings between any officer and any other person pursuant to which such person was selected as an officer.

The following table sets forth certain information with respect to the executive officers of the Company as of April 22, 2011.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Richard Leeds	51	Chairman and Chief Executive Officer; Director
Bruce Leeds	55	Vice Chairman; Director
Robert Leeds	55	Vice Chairman; Director; Interim Chief Executive of the Company's Technology Products Group
Lawrence Reinhold	51	Executive Vice President and Chief Financial Officer; Director
Thomas Axmacher	52	Vice President and Controller
Curt Rush	57	General Counsel and Secretary
Benjamin White	42	Vice President and Internal Auditor
Gilbert Fiorentino <sup>1</sup>	51	Chief Executive of the Company's Technology Products Group; Director

For biographical information about Richard Leeds, Bruce Leeds, Robert Leeds and Lawrence Reinhold, see page 9 of this Proxy Statement.

Thomas Axmacher was appointed Vice President and Controller of the Company effective October 2, 2006. He was previously Chief Financial Officer of Curative Health Services, Inc., a publicly traded health care company. He held that position from 2001 to 2006. From 1991 to 2001 Mr. Axmacher served as Vice President and Controller of that company. From 1986 to 1991 Mr. Axmacher served as Vice President and Controller of Tempo Instrument Group, an electronics manufacturer. Mr. Axmacher received his B.S. degree in Accounting in 1982 from Albany University and his M.B.A. in 1992 from Long Island University.

Curt Rush has been General Counsel and Secretary of the Company since 1996. Prior to joining the Company, Mr. Rush was employed from 1993 to 1996 as Corporate Counsel to Globe Communications Corp. and from 1990 to 1993 as Corporate Counsel to the Image Bank, Inc. Prior to that, he was a corporate attorney with the law firms of Shereff, Friedman, Hoffman & Goodman and Schnader, Harrison, Segal & Lewis. Mr. Rush graduated from Hunter College in 1981 with a B.A. degree in Philosophy and graduated with honors from Brooklyn Law School in 1984 where he was Second Circuit Review Editor of the Law Review. He was admitted to the Bar of the State of New York in 1985.

Benjamin White was appointed Vice President and Internal Auditor on November 16, 2009. He joined the Company in 2007 from Black & Decker, where he was Director of Internal Controls and Compliance. Prior to that, he was a Senior Manager in the public accounting firm of Ernst & Young. Mr. White has over 15 years of internal and external audit experience.

Gilbert Fiorentino joined the Company in 1995 as President of Tiger Direct, Inc. a subsidiary of the Company and has served as Chief Executive of the Company's Technology Products Group and as a Director of the Company since 2004. Mr. Fiorentino graduated from the University of Miami in 1981 with a B.S. degree in Economics and graduated from the University of Miami Law School in 1984. Mr. Fiorentino was selected to serve

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<sup>1</sup> As previously reported in the Company's Form 8-K filed on April 20, 2011, on April 18, 2011 the Company notified Mr. Fiorentino that it intends to terminate his employment pursuant to the terms of his employment agreement. As required by his agreement, the Company has scheduled a meeting of its Executive Committee for May 3, 2011 to address this matter. Following that meeting, the Company will make its final determination as to his employment. Mr. Fiorentino has been placed on administrative leave pending the outcome of the meeting. See "Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino" at page 33 and "Potential Payments Upon Termination or Change of Control- Gilbert Fiorentino" at page 40 for additional information.

as a director on our Board due to his business acumen and his management and marketing experience in the technology products business, including computer and consumer electronic product sales, as well as his retail sales experience, including direct marketing via online, catalogs and B2B relationship sales as well as brick and mortar store retail sales.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table provides certain information regarding the beneficial ownership of the Shares as of April 22, 2011, by (i) each of the Directors, (ii) each of the named executive officers listed in the summary compensation table, (iii) all current Directors and officers as a group and (iv) each person known to the Company to be the beneficial owner of more than 5% of any class of the Company’s voting securities.

As used in this table “beneficial ownership” means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. A person is deemed as of any date to have “beneficial ownership” of any security that such person owns or has a right to acquire within 60 days after such date. Any security that any person named above has the right to acquire within 60 days is deemed to be outstanding for purposes of calculating the ownership percentage of such person, but is not deemed to be outstanding for purposes of calculating the ownership percentage of any other person. Unless otherwise stated, each person owns the reported shares directly and has the sole right to vote and determine whether to dispose of such shares.

A total of 37,718,212 Shares were outstanding as of April 22, 2011.

	<b>Amount and Nature of Beneficial Ownership(a)</b>	<b>Percent of Class</b>	
Richard Leeds (1)	12,754,958	33.8	%
Bruce Leeds (2)	9,267,777	24.6	%
Robert Leeds (3)	9,977,333	26.5	%
Lawrence Reinhold (4)	211,000	*	
Robert D. Rosenthal (5)	51,238	*	
Stacy Dick (6)	28,362	*	
Marie Adler-Kravec (7)	7,010	*	
Gilbert Fiorentino (8) <sup>1</sup>	1,480,718	3.9	%
All current Directors and executive officers of the Company (11 persons)	26,661.879	70.7	%

**Other Beneficial Owners of 5% or More of the Company’s Voting Stock**

Thomas W. Smith (9)	2,833,561	7.5	%
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(a) Amounts listed in this column may include shares held in partnerships or trusts that are counted in more than one individual’s total.

\* less than 1%

(1) Includes 1,136,666 shares owned by Mr. Leeds directly, 2,501,545 shares owned by the Richard Leeds 2010 GRAT and 2,083,829 shares owned by the Richard Leeds 2009 GRAT. Also includes 1,838,583 shares owned by a limited partnership of which Richard Leeds is the general partner, 235,850 shares owned by a limited partnership of which a limited liability company controlled by Mr. Leeds is the general partner, 4,438,685 shares owned by trusts for the benefit of his brothers’ children for which Richard Leeds acts as co-trustee and 519,800 shares owned by a limited partnership in which Richard Leeds has an indirect pecuniary interest. Mr. Leeds’ mailing address is Richard Leeds, c/o Systemax Inc., 11 Harbor Park Drive, Port Washington, NY 11050.

(2) Includes 2,137,166 shares owned by Mr. Leeds directly, 1,615,716 shares owned by the Bruce Leeds 2010

<sup>1</sup> Mr. Fiorentino is on administrative leave from his position with the Company. See “Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino” at page 33 and “Potential Payments Upon Termination or Change of Control- Gilbert Fiorentino” at page 40 for additional information.



GRAT and 1,263,034 shares owned by the Bruce Leeds 2009 GRAT. Also includes 3,732,061 shares owned by trusts for the benefit of his brothers' children for which Bruce Leeds acts as co-trustee and 519,800 shares owned by a limited partnership in which Bruce Leeds has an indirect pecuniary interest. Mr. Leeds' mailing address is Bruce Leeds, c/o Systemax Inc., 11 Harbor Park Drive, Port Washington, NY 11050.

- (3) Includes 137,168 shares owned by Mr. Leeds directly, 3,303,332 shares owned by the Robert Leeds 2010 GRAT and 1,930,195 shares owned by the Robert Leeds 2009 GRAT. Also includes 4,086,838 shares owned by trusts for the benefit of his brothers' children for which Robert Leeds acts as co-trustee and 519,800 shares owned by a limited partnership in which Robert Leeds has an indirect pecuniary interest. Mr. Leeds' mailing address is Robert Leeds, c/o Systemax Inc., 11 Harbor Park Drive, Port Washington, NY 11050.
- (4) Includes options to acquire a total of 187,500 shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company's 1999 Long-Term Stock Incentive Plan and 17,500 restricted stock units granted pursuant to the Company's 2010 Long Term Stock Incentive Plan that vest on May 15, 2011.
- (5) Includes options to acquire a total of 9,000 shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company's 1995 and 2006 Stock Incentive Plans for Non-Employee Directors.
- (6) Includes options to acquire a total of 15,250 shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company's 1995 and 2006 Stock Incentive Plans for Non-Employee Directors.
- (7) Includes options to acquire a total of 5,000 shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company's 2006 Stock Incentive Plan for Non-Employee Directors.
- (8) Includes options to acquire a total of 580,001 shares subject to options pursuant to the Company's 1999 Long-Term Stock Incentive Plan and 100,000 restricted stock units, but subject to the terms of his Employment Agreement.
- (9) Based on information supplied by Thomas W. Smith, Scott J. Vassalluzzo, and Stephen M. Fischer in a Schedule 13G filed with the SEC on February 14, 2011. The address of each of these individuals is 323 Railroad Avenue, Greenwich, Connecticut 06830. Messrs. Smith, Vassalluzzo and Fischer have the shared power to vote or dispose or to direct the vote or the disposal of 2,233,561, 2,158,861 and 2,082,861 shares, respectively. In addition, Mr. Smith has the sole power to vote or to direct the vote of 600,000 shares and the sole power to dispose or to direct the disposition of 600,000 shares, Mr. Vassalluzzo has the sole power to vote or to direct the vote of and to dispose or to direct the disposition of 0 shares and Mr. Fischer has the sole power to vote or to direct the vote of and to dispose or to direct the disposition of 0 shares.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's executive officers and Directors and persons who own more than ten percent of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, Directors and ten-percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of Section 16(a) forms received by it, or written representations from certain reporting persons, the Company believes its executive officers, Directors and ten-percent stockholders complied with all such filing requirements for fiscal year 2010.

#### **TRANSACTIONS WITH RELATED PERSONS**

Under the Company's Corporate Ethics Policy, all officers, Directors and employees (collectively the "Company Representatives") are required to avoid conflicts of interest, appearances of conflicts of interest and potential conflicts of interest. A "conflict of interest" occurs when a Company Representative's private interest interferes in any way with the interests of the Company. A conflict can arise when a Company Representative takes

actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest also arise when a Company Representative, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. Company Representatives cannot allow any consideration such as the receipt of gifts or financial interests in other businesses or personal or family relationships to interfere with the independent exercise of his or her business judgment and work activities to the benefit of the Company. Loans to, or guarantees of obligations of, Company Representatives are prohibited unless permitted by law and authorized by the Board or a Committee designated by the Board. If a Company Representative becomes aware of a potential conflict of interest he or she must communicate such potential conflict of interest to the Company.

The Company's written corporate approval policy requires transactions with related persons, including but not limited to leases with related persons and sales or purchases of Company assets by related persons, to be reviewed and approved or ratified by the Company's Audit Committee as well as by the Company's Chief Executive Officer, Chief Financial Officer and General Counsel. In this regard, all such transactions are first discussed with the Chief Financial Officer and are submitted to the General Counsel's office, including for an initial determination of whether such further related person transaction review is required. The Company utilizes the definition of related persons under applicable SEC rules, defined as any executive officer, director or nominee for director of the Company, any beneficial owner of more than 5% of the outstanding shares of the Company's common stock, or any immediate family member of any such person. In reviewing these transactions, the Company strives to assure that the terms of any agreement between the Company and a related party is at arm's length, fair and at least as beneficial to the Company as could be obtained from third parties. The Audit Committee, in its discretion, may consult with third party appraisers, valuation advisors or brokers to make such determination.

#### ***Leases***

The Company has leased its facility in Port Washington, NY since 1988 from an entity owned by Richard Leeds, Bruce Leeds and Robert Leeds, Directors of the Company. Rent expense under this lease totaled approximately \$1.0 million for fiscal year 2010. The Company believes that these payments were no higher than would be paid to an unrelated lessor for comparable space.

#### ***Stockholders Agreement***

Certain members of the Leeds family (including Richard Leeds, Bruce Leeds and Robert Leeds) and family trusts of Messrs. Leeds entered into a stockholders agreement pursuant to which the parties agreed to vote in favor of the nominees for the Board designated by the holders of a majority of the Shares held by such stockholders at the time of the Company's initial public offering of the Shares. In addition, the agreement prohibits the sale of the Shares without the consent of the holders of a majority of the Shares held by all parties to the agreement, subject to certain exceptions, including sales pursuant to an effective registration statement and sales made in accordance with Rule 144. The agreement also grants certain drag-along rights in the event of the sale of all or a portion of the Shares held by holders of a majority of the Shares. As of the end of fiscal year 2010, the parties to the stockholders agreement beneficially owned 25,286,700 Shares subject to such agreement (constituting approximately 69% of the Shares outstanding).

Pursuant to the stockholders agreement, the Company granted to the parties demand and incidental, or "piggy-back," registration rights with respect to the Shares. The demand registration rights generally provide that the holders of a majority of the Shares may require, subject to certain restrictions regarding timing and number of Shares that the Company register under the Securities Act all or part of the Shares held by such stockholders. Pursuant to the incidental registration rights, the Company is required to notify such stockholders of any proposed registration of any Shares under the Securities Act and if requested by any such stockholder to include in such registration any number of shares of Shares held by it subject to certain restrictions. The Company has agreed to pay all expenses and indemnify any selling stockholders against certain liabilities, including under the Securities Act, in connection with the registration of Shares pursuant to such agreement.

## EQUITY COMPENSATION PLAN INFORMATION

Information for our equity compensation plans in effect as of the end of fiscal year 2010 is as follows:

	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>
<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by security holders	2,119,085	\$9.37	7,465,000
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<u>2,119,085</u>	<u>\$9.37</u>	<u>7,465,000</u>

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

*In this section, we discuss the material elements of our compensation programs and policies, including the objectives of our compensation programs and the reasons why we pay each element of our executives' compensation. Following this discussion, you will find a series of tables containing more specific details about the compensation earned by, or awarded to, the following individuals, whom we refer to as the Named Executive Officers or NEOs. This discussion focuses on compensation practices relating to the NEO's for our 2010 fiscal year.*

Our NEO's in 2010 (based on total 2010 compensation earned) were as follows:

Richard Leeds	Chairman; Chief Executive Officer
Bruce Leeds	Vice Chairman
Robert Leeds	Vice Chairman
Gilbert Fiorentino <sup>3</sup>	Chief Executive - Technology Products Group
Lawrence Reinhold	Executive Vice President; Chief Financial Officer

### *Central Objectives and Philosophy of Our Executive Compensation Programs*

The Company's executive compensation programs are designed to achieve a number of important objectives, including attracting and retaining individuals of superior ability and managerial talent, rewarding individual contributions to the achievement of the Company's short and long-term financial and business objectives, promoting integrity and good corporate governance, and motivating our executive officers to manage the Company in a manner that will enhance its growth and financial performance for the benefit of our stockholders, customers and employees. Accordingly, in determining the amount and mix of compensation, the Compensation Committee seeks both to provide a competitive compensation package and to structure annual and long-term incentive programs that reward achievement of performance goals that directly correlate to the enhancement of sustained, long-term stockholder value, as well as to promote executive retention.

Our Compensation Committee seeks to design compensation programs with features that mitigate risk without diminishing the incentive nature of the compensation. The Company's variable pay programs are designed to reward outstanding individual and team performance while mitigating risk taking behavior that might affect financial results. We believe our programs encourage and reward prudent business judgment and appropriate risk-taking over the long term. We believe the following factors are effective in mitigating risk relating to our compensation programs:

- **Multiple Performance factors:** We use multiple performance factors that encourage executives to focus on the overall health of the business rather than a single financial measure.
- **Award Cap.** Our 2010 NEO Cash Bonus Plan and our 2011 NEO Cash Bonus Plan (both discussed below) cap the maximum award payable to any individual.
- **Clawback Provision.** The Company's 2010 NEO Cash Bonus Plan and 2011 NEO Cash Bonus Plan provide the Company the ability to recapture all or a portion of cash awards (i) from our executive officers to the extent a bonus resulted from reported financial results that upon restatement of such results (other than as a result of changes in accounting principles) would not have generated the bonus or would have generated a lower bonus or (ii) from an executive officer if the Board learns of any misconduct by the executive officer that contributed to the Company having to restate all or a portion of its financial statements. In addition, the Board may recapture

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<sup>3</sup> Mr. Fiorentino is on administrative leave from his position with the Company. See "Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino" at page 33 and "Potential Payments Upon Termination or Change of Control- Gilbert Fiorentino" at page 40 for additional information.

cash bonus awards from an executive if the Board determines that the executive engaged in serious ethical misconduct.

- **Management Processes.** Board and management processes are in place to oversee risk associated with the Company's operations. Our Board as a whole is responsible for overseeing the Company's risk management process. The Board focuses on the Company's general risk management strategy, the most significant risks facing the Company, and seeks to ensure that appropriate risk mitigation strategies are implemented by management. The Company has recently enhanced its risk management processes, and risk management will be a recurring Audit Committee and Board quarterly agenda item, and is considered part of strategic planning. The Board is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and receives information relating to material risks affecting the Company from management and from our Legal, Risk Management/Insurance and Internal Audit departments.
- **Long Term Equity Compensation.** A number of factors mitigate risks inherent in long-term equity compensation, specifically the vesting period for stock options and restricted stock unit grants, which we believe causes our executives to focus on long term achievements and on building stockholder value.

We believe that our compensation policies for employees generally throughout our organization are not reasonably likely to have a material adverse effect on our company. From time to time a limited number of key managers are eligible to receive stock options and/or restricted stock units in varying amounts based on the judgment of the Compensation Committee. However, all awards are subject to years long vesting periods.

#### ***Elements of Our Executive Compensation Programs***

To promote the objectives described above, our executive compensation programs consist of the following principal elements:

- Base salary;
- Non-equity incentive cash compensation, referred to for discussion purposes as bonuses;
- Stock-based incentives and
- Benefits, perquisites and other compensation.

The Committee does not maintain formal policies for specifically allocating compensation among current and long-term compensation or among cash and non-cash compensation elements. Instead, the Committee maintains flexibility and adjusts different elements of compensation based upon its evaluation of the Company's key compensation goals set forth above. The Company does not have a formal policy regarding internal pay equity.

*Base Salary* - Salary levels are subjectively determined based on individual and Company performance as well as an objective assessment of prevailing salary levels for comparable companies, derived from widely available published reports of the average of prevailing salary levels for comparable companies (based on industry, revenues, number of employees, location and similar factors) in the Company's geographic region. Such reports do not identify the component companies. Each of Mr. Reinhold's and Mr. Fiorentino's minimum salary is set pursuant to his respective employment agreement.

*Cash Bonuses* - Incentive cash compensation of the Company's NEO's under the 2010 NEO Cash Bonus Plan described below (and implemented under our 2010 Long Term Incentive Plan, described below) is based primarily upon an evaluation of Company performance as it relates to three general business areas:

- Operational and Financial Performance (utilizing standard metrics such as net sales, operating income, consolidated net income, earnings before interest and taxes ("EBIT"), gross margin, operating margin, earnings per share, working capital, return on invested capital, stockholder equity and peer group comparisons);

- Strategic Accomplishments (including growth in the business, implementation of systems, process and technology improvements, and growth in the value of the Company's assets, including through strategic acquisition transactions); and
- Corporate Governance and Oversight (encompassing legal and regulatory compliance and adherence to Company policies including the timely filing of periodic reports with the SEC, the Sarbanes-Oxley Act, environmental, employment and safety laws and regulations and the Company's corporate ethics policy).

Pursuant to SEC rules, the Company is not disclosing the specific performance targets and actual performance measures for the goals used in its 2010 Bonus Plan and 2011 Bonus Plan because they represent confidential financial information that the Company does not disclose to the public, and the Company believes that disclosure of this information would cause us competitive harm. The Company believes that these performance goals were reasonably challenging to achieve. Targets are set such that only exceptional performance will result in payouts above the target incentive and poor performance will result in no incentive payment. We set the target performance goals at a level for which there is a reasonable chance of achievement based upon forecasted performance. Scenarios were developed based upon a range of assumptions used to build our annual budget. We did not perform specific analysis on the probability of the achievement of the target performance goals given that the market is difficult to predict. Rather, we relied upon our experience in setting the goals guided by our objective of setting a reasonably attainable and motivationally meaningful goal.

In determining the compensation of a particular executive, consideration is given to the specific corporate responsibilities that such executive is charged with as they relate to the foregoing business areas.

Historically, different approaches were used to pay cash bonus compensation, as described below. In 2009, the Company moved towards a more uniform and target driven incentive compensation structure for its executives; see the discussion below of our 2009 NEO Cash Bonus Plan, our 2010 NEO Cash Bonus Plan and our 2011 NEO Cash Bonus Plan.

*Stock-Based Incentives* - Stock-based incentives, at the present time consisting of (a) stock options granted at 100% of the stock's fair market value on the grant date (based on the NYSE closing price of the Company's common stock on that date) and/or (b) restricted stock units granted subject to certain conditions, constitute the long-term portion of the Company's executive compensation package. Stock based compensation provides an incentive for executives to manage the Company with a view to achieving results which would increase the Company's stock price over the long term and, therefore, the return to the Company's stockholders. Stock option, restricted stock and restricted stock unit grants must be approved by the Compensation Committee; however, the Compensation Committee is permitted to delegate this authority to officers of the Company regarding awards to employees who are not officers or directors of the Company and who are not, and are not expected to become, "covered employees" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). We do not use any specific allocation percentage or formula in determining the size of the cash and equity based components of compensation in relation to each other.

The Compensation Committee is cognizant of the timing of the grant of stock based compensation in relation to the publication of Company earnings releases and other public announcements. Stock based compensation grants will not be made, generally, until after the Company has disclosed, and the market has had an opportunity to react to, material, potentially market-moving, information concerning the Company.

Richard Leeds, Bruce Leeds and Robert Leeds have not historically received stock options or other stock-based incentives as part of their compensation since the Company's initial public offering, and did not receive any such compensation in 2008, 2009 or 2010. As described below, Mr. Reinhold received stock options in 2009 and restricted stock units in 2010. As described below, Gilbert Fiorentino has received stock-based compensation in the past; however, he did not receive new equity compensation grants in 2008, 2009 or 2010.

*Benefits, Perquisites and Other Compensation* - The Company provides various employee benefit programs to its employees, including NEO's. These benefits include medical, dental, life and disability insurance benefits and our 401(k) plan, which includes Company contributions. The Company also provides Company-owned or leased

cars or automobile allowances and related reimbursements to certain NEO's and certain other Company managers which are not provided to all employees. Certain Company executives also have or are entitled to receive severance payments, and/or change of control payments pursuant to negotiated employment agreements they have with the Company (see below). The Company does not provide to executive officers any (a) pension benefits or (b) deferred compensation under any defined contribution or other plan on a basis that is not tax-qualified.

*Tax Deductibility Considerations.* It is our policy generally to qualify compensation paid to executive officers for deductibility under section 162(m) of the Code. Section 162(m) generally prohibits deducting the compensation of executive officers that exceeds \$1,000,000 unless that compensation is based on the satisfaction of objective performance goals. Our long term incentive plans (the 1995 Long-term Stock Incentive Plan, the 1999 Long-term Stock Incentive Plan, as amended, the 1995 Stock Option Plan for Non-Employee Directors, the 2006 Stock Incentive Plan for Non-Employee Directors, and the 2010 Long Term Incentive Plan) and the Systemax Executive Incentive Plan are structured to permit awards under such plans to qualify as performance-based compensation and to maximize the tax deductibility of such awards. However, we reserve the discretion to pay compensation to our executive officers that may not be deductible.

### ***Role of the Compensation Committee and CEO in Compensation Decisions***

The Compensation Committee's responsibility is to review and approve corporate goals relevant to the compensation of the Chief Executive Officer and, after an evaluation of the Chief Executive Officer's performance in light of such goals, to set the compensation of the Chief Executive Officer. The Compensation Committee also approves, upon the recommendation of the Chief Executive Officer (following consultation with the Chief Financial Officer and Chief Executive of the Technology Products Group), (a) the annual compensation of the other executive officers of the Company, (b) the annual compensation of certain subsidiary managers, and (c) all individual stock incentive grants to other executive officers. The Compensation Committee is also responsible for reviewing and making periodic recommendations to the Board with respect to the general compensation, benefits and perquisite policies and practices of the Company, including the Company's stock-incentive based compensation plans. The Compensation Committee has the authority to retain third party compensation consultants to provide assistance with respect to compensation strategies, market practices, market research data and the Company's compensation goals.

### ***2010 Long Term Incentive Plan***

In 2010, the Board of Directors approved, and the stockholders of the Company approved at the 2010 Annual Meeting, the 2010 Long Term Incentive Plan in order to promote the interests of the Company and its stockholders by (i) attracting and retaining exceptional executive personnel and other key employees, including consultants and advisors to the Company and its affiliates; (ii) motivating such employees, consultants and advisors by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such employees, consultants and advisors to participate in the long-term growth and financial success of the Company.

The 2010 Long Term Incentive Plan provides for the granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards (which may be in the form of cash) or other stock-based awards. Any of the foregoing is referred to as an "Award." Subject to adjustment in the case of certain corporate changes, Awards may be granted under the 2010 Long Term Incentive Plan with respect to an aggregate of 7,500,000 shares of the Company's Common Stock. During a calendar year, Awards may be granted to any individual with respect to a maximum of 1,500,000 shares (or \$10,000,000 in the case of cash performance awards).

Any employee of the Company or of any affiliate and any individual providing consulting or advisory services to the Company or an affiliate, is eligible to receive an award under the 2010 Long Term Incentive Plan. The Compensation Committee administers the Plan and determines, in its sole discretion, the terms and conditions of any Award. The Compensation Committee or the Board of Directors may delegate to one or more officers or managers of the Company the authority to designate the individuals who will receive Awards under the Plan provided that the Compensation Committee shall itself grant all Awards to those individuals who could reasonably be considered to be subject to the insider trading provisions of Section 16 of the 1934 Act or whose Awards could reasonably be expected to be subject to the deduction limitations of Section 162(m) of the Code.

The Compensation Committee determines the persons who will receive Awards, the type of Awards granted, and the number of shares subject to each Award. The Compensation Committee also determines the prices, expiration dates, vesting schedules, forfeiture provisions and other material features of Awards. The Compensation Committee has the authority to interpret and construe any provision of the Plan and to adopt such rules and regulations for administering the Plan as it deems necessary or appropriate. All decisions and determinations of the Compensation Committee are final, binding and conclusive on all parties.

The 2010 Long Term Incentive Plan provides that granting or vesting of restricted stock, restricted stock units and performance awards may be conditioned on the achievement of specified performance goals. These goals must be established by the Compensation Committee within 90 days of the beginning of the year (or other period to which the performance goals relate) or, if shorter, within the first 25% of the performance period.

The performance goals may be based on one or more of: share price, revenues, earnings (including but not limited to EBITDA), earnings per share, return on equity, expenses, and objective strategic and governance business goals. Each such performance goal may (1) be expressed with respect to the Company as a whole or with respect to one or more divisions or business units, (2) be expressed on a pre-tax or after-tax basis, (3) be expressed on an absolute and/or relative basis, (4) employ comparisons with past performance of the Company (including one or more divisions) and/or (5) employ comparisons with the current or past performance of other companies, and in the case of earnings-based measures, may employ comparisons to capital, stockholders' equity and shares outstanding.

To the extent applicable, the measures used in performance goals set under the 2010 Long Term Incentive Plan are determined in a manner consistent with the methods used in the Company's Forms 10-K and 10-Q, except that adjustments will be made for certain items, including special, unusual or non-recurring items, acquisitions and dispositions and changes in accounting principles.

#### ***2010 NEO Cash Bonus Plan***

In March 2010, pursuant to the 2010 Long Term Incentive, our Compensation Committee, with input from our Chief Executive Officer, established our 2010 NEO Cash Bonus Plan ("2010 Bonus Plan") providing for target cash bonuses for the NEO's based on the achievement of certain financial and non-financial performance-based criteria in 2010. The 2010 Bonus Plan implemented for 2010 the 2010 Long Term Incentive Plan and pertains specifically to the payment of non-equity incentive compensation to NEO's for 2010.

For 2010, such financial and non-financial goals, the percentage of the executive's entire cash bonus tied to such goals and the weighting of each component under such goal, were as follows:

- Financial Goals (80% of total cash bonus target)
  - Adjusted Operating Income Growth (50%); the Compensation Committee believes this is the most important individual component and aligns the interests of our executives with those of our stockholders, in addition to building long term value. Adjusted Operating Income is defined as operating income adjusted for unusual or nonrecurring items as determined by our Compensation Committee.
  - Sales Growth (20%); the Compensation Committee believes topline sales growth is key to our Company remaining competitive with larger companies. Sales are defined as sales revenue net of returns on a constant currency basis.
  - Return on Invested Capital Growth (10%); the Compensation Committee believes this will encourage management to pursue operational efficiencies in establishing strategic goals and planning for growth. Return on Invested Capital is defined as adjusted operating income divided by the sum of (i) the book value of stockholders' equity plus the book value of interest-bearing obligations minus total cash and cash equivalents.
- Non-Financial Goals for 2010 (20% of total cash bonus target)



- Strategic Accomplishments (six specific goals weighted at an aggregated 80% of the total non-financial goal): These goals relate to various strategic initiatives that the Compensation Committee believes will enhance the Company’s operational infrastructure.
- Corporate Governance Goals for 2010 (two specific goals weighted at 20% of the total non-financial goal): These goals relate to continuing improvements in our internal processes that the Compensation Committee believes will generally benefit stockholders.

Achievement of each of the target financial goals generates a variable target bonus payment (base case); reduced bonuses are payable on a pro rata basis for each financial goal component, starting at achievement of in excess of 80% of the target financial goal component amount up to 140% of the target financial goal component amount. Each 1% variance in actual achievement from the 100% level generates a 5% variance in the target bonus amount for that component, and no bonus is payable in respect of these components if achievement is 80% or less of the target financial goal component amount. Increased bonuses (up to 300% of the target bonus amount for each component) are payable on a pro rata basis for each financial goal component amount achieved. The non-financial goals are measured based on whether or not the goal is either accomplished or not accomplished during the fiscal year.

Under the 2010 Bonus Plan, the Compensation Committee set the following cash bonus target amounts for each of our named executive officers, assuming achievement of the 2010 financial and non-financial goals at 100% base case target levels:

Richard Leeds	\$1,100,000
Bruce Leeds	\$ 750,000
Robert Leeds	\$ 750,000
Lawrence Reinhold	\$ 825,000
Gilbert Fiorentino <sup>4</sup>	\$1,950,000

The Compensation Committee believes these bonus levels are appropriate for each of our named executive officers.

The 2010 Bonus Plan imposed a cap on the total bonus that could be payable to any executive at 200% of the target base case bonus. The Compensation Committee has the discretion to adjust financial targets based on such events as acquisitions or other one time charges or gains, or other unforeseen circumstances, that can skew normal operating results. Targets and bonuses were also subject to adjustment to prevent unreasonable results such as adjustments for mergers and acquisitions, one time charges or gains, etc. Executives must generally be employed with the Company at the time the bonuses are paid out to receive the bonus.

In addition, the Board can demand repayment to the Company of any cash bonuses paid in the event that (i) the executive’s misconduct caused the Company to restate its reported financial results; (ii) the reported results created a bonus that would not have been paid based on the restated results, or (ii) the executive engages in serious ethical misconduct.

### ***2009 NEO Cash Bonus Plan***

Under the Company’s 2009 Executive Incentive Plan (approved by stockholders in March 2008 and first implemented for the payment of non-equity compensation to NEO’s for 2009) executive officers of the Company were eligible to receive an annual cash bonus, based on the Company’s achievement of certain performance-based goals established by the Compensation Committee relating to Operational and Financial Performance, Strategic Accomplishments and Corporate Governance and Oversight. The amount of any annual award would vary based on performance, and was determined for each participant as a multiple of the participant’s base salary for that year

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<sup>4</sup> Mr. Fiorentino is on administrative leave from his position with the Company. See “Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino” at page 33 and “Potential Payments Upon Termination or Change of Control- Gilbert Fiorentino” at page 40 for additional information.

relating to achieving one or more performance goals, up to an annual aggregate bonus per participant of \$5 million. In the event that an award contained more than one performance goal, participants in the plan were entitled to receive the portion of the target percentage allocated to the performance goal achieved. In the event that the Company did not achieve at least the minimum performance goals established, no award payment would be made.

March 2009, pursuant to the Systemax Executive Incentive Plan, our Compensation Committee, with input from our Chief Executive Officer, established our 2009 NEO Cash Bonus Plan (the "2009 Bonus Plan") providing for target cash bonuses for the NEO's based on the achievement of certain performance-based criteria in 2009. The performance goals were based on the overall performance of the Company, and recognized business unit, team and/or individual performance. The Compensation Committee had the discretion to reduce the amount payable to, or to determine that no amount will be paid to, a participant. The 2009 Bonus Plan implemented for 2009 the Executive Incentive Plan.

Awards for Messrs. Richard, Robert, and Bruce Leeds and Mr. Reinhold under the 2009 Bonus Plan had the following components: 70% for short-term financial accomplishments (tied 60% to Company consolidated earnings performance and 10% to peer group financial comparisons) and 30% for long-term strategic accomplishments (tied 20% to strategic goals, such as acquisitions and process improvements, and 10% to governance and compliance matters). Those percentages reflect the desire to reward executives for maximizing revenue while controlling costs in a difficult economic environment, while recognizing that a number of strategic initiatives must be accomplished during 2009 to properly position the company for 2010 and beyond. The applicable base salary multiples for calculating base cash bonus awards was 2 times annual salary for each of Messrs. Richard, Bruce and Robert Leeds and 1 times annual salary for Mr. Reinhold. In addition, each of these executive officers would receive a special bonus equal to 50% of their respective base target bonus amount for successful implementation of certain management financial reporting technology enhancements in 2009.

Achievement of the consolidated earnings, peer group and strategic goals was measured on a variable basis depending on the level of accomplishment. Achievement of the governance and compliance and special financial reporting technology goals was measured on the basis of whether or not the goals were effected in 2009.

For each of Messrs. Richard, Bruce, and Robert Leeds and Mr. Reinhold a specific target bonus payment (base case) was established for the consolidated earnings goal as follows: reduced bonuses are payable on a pro rata basis starting at achievement in excess of 70% of the financial target amount up to 100% of the financial target amount; 70% achievement of the financial target would guarantee a bonus of 50% of the target bonus amount for this component; and no bonus is payable in respect of this component if achievement is 70% or less of the financial target. Increased bonuses (up to 400% of target bonus amount for this component) are payable on a pro rata basis for achieving a financial goal amount in excess of the financial target amount, up to 150% of the financial target amount.

In this regard, for each of Messrs. Richard, Robert and Bruce Leeds and Mr. Reinhold, the Compensation Committee set short term financial targets based on comparing the Company's performance in achieving organic sales growth, operating margin growth and return on invested capital growth to the performance of a peer group comprised of the following public companies, including competitors of the Company, based on publicly available information: Insight Enterprises Inc., PC Connection Inc., PC Mall Inc., Best Buy Co., Inc., Amazon.com, Inc., hhgregg, MSC Industrial Direct Co., Inc. and W.W. Grainger, Inc. These companies were selected because they have one or more of the following attributes: business operations in the industries and markets in which the Company participates, similar revenue and market capitalization, global scope of operations and/or diversified product lines. Bonuses in respect of the peer group companies were set on a variable basis ranging from 50% of the targeted bonus for this component (for underperforming the peer group) to up to 200% of the targeted bonus for this component (for significantly overperforming the peer group). However, the Company does not utilize benchmarking to establish bonus payment amounts for the Company's NEO's.

The award for Mr. Fiorentino under the 2009 Bonus Plan was based on (i) the Company's Technology Products Group achieving certain earnings targets; (ii) the Company successfully implementing technology enhancements in certain retail stores; and (iii) the successful implementation of certain management financial reporting technology enhancements in 2009. The portion of the bonus attributable to the earnings target was measured on a variable basis depending on the level of accomplishment. The award tied to the Technology Products

Group earnings targets started with a minimum bonus of approximately \$600,000 at achievement of 70% of a target earnings number (i.e. no bonus if earnings were less than 70% of target) and scaled to a maximum bonus of approximately \$3.4 million at achievement of 160% of the target. Achievement of the retail store and financialreporting technology goals was measured on the basis of whether or not the goals are either accomplished or not accomplished during the fiscal year.

Under the 2009 Plan, the Compensation Committee had set the following cash bonus target amounts for each of our NEO's, assuming achievement of the 2009 financial, non-financial and special information technology goals at 100% base case target levels.

Richard Leeds	\$1,701,000
Bruce Leeds	\$1,410,000
Robert Leeds	\$1,410,000
Lawrence Reinhold	\$696,000
Gilbert Fiorentino	\$2,546,000

However, following completion of the results for fiscal 2009, Richard Leeds requested that his actual bonus be reduced to \$975,000 (a reduction of \$787,000) and Bruce and Robert Leeds each requested that their actual bonuses be reduced to \$670,000 (a reduction of \$787,000 each). The Compensation Committee approved these reductions.

#### ***2008 NEO Cash Bonus Plan***

Prior to the adoption of the 2009 Bonus Plan, cash bonuses for each of Messrs. Richard, Robert and Bruce Leeds and for Mr. Reinhold were not based on specific metric targets but rather were subjectively determined by the Compensation Committee based primarily on the Compensation Committee's belief that each of them provided valuable contributions to the Company and its stockholders by managing the Company successfully and profitably through a difficult economic environment, by implementing critical cost savings initiatives and effecting opportunistic acquisitions to grow market share. Mr. Fiorentino's bonus prior to 2009 was based on a formula tied to the earnings of the Technology Products Group.

#### ***Compensation of NEOs in 2010***

In determining the compensation of the Company's Chief Executive Officer for fiscal year 2010 and approving the compensation of the Company's other NEO's, the Committee considered, among the other factors discussed above, the achievement of the performance based criteria established under the 2010 Bonus Plan.

The Compensation Committee determined that the Company and management had performed well, particularly given trends in the general economic environment that had affected the Company's business throughout fiscal 2010, and that management had executed well on strategic business initiatives to position the Company for growth while managing risk. Based on Company and individual performance, the Compensation Committee believes that compensation levels for fiscal year 2010 were consistent with the philosophy and objectives of the Company's compensation programs. However, although the Company exceeded its 2010 sales target financial goal and achieved each of its 2010 strategic and corporate governance non-financial goals, the Company did not achieve its 2010 minimum adjusted operating income and return on invested capital financial goals. Accordingly, pursuant to the 2010 Bonus Plan formulas, 2010 non-equity incentive plan/bonus compensation for each named executive officer was paid at only 42% of the target level.

The 2010 threshold, target and maximum bonus amounts for each of our named executive officers are found in the "Grant of Plan Based Awards" table on page 32.

#### ***Employment Arrangements of the Named Executive Officers***

##### **Richard Leeds**

Richard Leeds has no employment agreement and is an "at will" employee. Base salary accounted for 55%

and bonus accounted for 45% of Mr. Leeds total cash compensation for 2010. Mr. Leeds salary for 2011 is set at \$592,200. See the discussion of our 2010 Bonus Plan and 2011 Bonus Plan regarding Mr. Leeds non-equity incentive awards for 2010 and 2011.

### **Bruce Leeds**

Bruce Leeds has no employment agreement and is an “at will” employee. Base salary accounted for 60% and bonus accounted for 40% of Mr. Leeds total cash compensation for 2010. Mr. Leeds salary for 2011 is set at \$493,500. See the discussion of our 2010 Bonus Plan and 2011 Bonus Plan regarding Mr. Leeds non-equity incentive awards for 2010 and 2011.

### **Robert Leeds**

Robert Leeds has no employment agreement and is an “at will” employee. Base salary accounted for 60% and bonus accounted for 40% of Mr. Leeds total cash compensation for 2010. Mr. Leeds salary for 2011 is set at \$493,500. See the discussion of our 2010 Bonus Plan and 2011 Bonus Plan regarding Mr. Leeds non-equity incentive awards for 2010 and 2011.

### **Lawrence Reinhold**

The Company entered into an employment agreement with Mr. Reinhold on January 17, 2007. The agreement provides for a minimum base salary of \$400,000 (which may be increased at the discretion of the Company) and a bonus (which the agreement states is expected to be at least equal to 50% of the base salary) assuming Mr. Reinhold meets certain performance objectives (including the Company’s financial performance objectives) established for him by the Company. He is entitled to receive a car allowance or a Company-leased car.

Mr. Reinhold’s bonus for 2010 was determined as described above under the heading 2010 Named Executive Officer Cash Bonus Plan. Mr. Reinhold received a grant of equity compensation in 2009 in the form of stock options. The decision by the Compensation Committee to award Mr. Reinhold stock options was based on Mr. Reinhold’s significant accomplishments in 2009 as well as a desire to further align his interests with those of the Company’s stockholders. Base salary accounted for 57% and bonus accounted for 43% of Mr. Reinhold’s total cash compensation for 2010. In 2010, Mr. Reinhold received a grant of 175,000 restricted stock units under the 2010 Long Term Incentive Plan. The restricted stock units vest in ten equal annual installments of 17,500 units each, beginning on May 15, 2011. As in 2009, the Compensation Committee decided to make this equity award in recognition of Mr. Reinhold’s accomplishments in 2010 and in order to further align his interests with those of our stockholders. His salary for 2011 is set at \$487,200.

Compensation that may become payable following the termination of his employment or a change in control of the company, and other terms of the employment agreement related to such events, are discussed below under “—Potential Payments Upon Termination or Change in Control.”

### **Gilbert Fiorentino<sup>5</sup>**

On October 12, 2004, the Company entered into an employment agreement with Gilbert Fiorentino. The agreement was effective as of June 1, 2004 and expires on December 31, 2013 unless terminated sooner under the terms of the agreement.

Mr. Fiorentino’s compensation consists of a base salary at the initial annual rate of \$400,000 (which is increased by five percent per year subject to certain Company earnings requirements) and a performance bonus of

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<sup>5</sup> As previously reported in the Company’s Form 8-K filed on April 20, 2011, on April 18, 2011 the Company notified Mr. Fiorentino that it intends to terminate his employment pursuant to the terms of his employment agreement. As required by his agreement, the Company has scheduled a meeting of its Executive Committee for May 3, 2011 to address this matter. Following that meeting, the Company will make its final determination as to his employment. Mr. Fiorentino has been placed on administrative leave pending the outcome of the meeting. See “Potential Payments Upon Termination or Change of Control- Gilbert Fiorentino” at page 40 for additional information.

\$250,000 per year (similarly increasing annually) provided that he meets certain performance criteria previously established from time to time by the Executive Committee of the Board of Systemax. He is also eligible for an additional bonus, in the discretion of the Board.

Mr. Fiorentino's 2010 bonus was determined under the 2010 Bonus Plan as a specified percentage of the worldwide EBIT of the Company's technology products business, and also took into account achievement of the retail store and technology enhancement and information technology goals, for which he is responsible in order to most accurately reflect Mr. Fiorentino's direct contribution to the Company and the sustained year over year growth of the business. Base salary accounts for 37% and non-equity incentive compensation accounted for 63% of Mr. Fiorentino's total cash compensation for 2010. Mr. Fiorentino received no stock options or other stock based incentive grants in 2010, 2009 or 2008. His salary for 2011 is set at \$511,350.

Additional benefits include medical, dental and life and disability insurance benefits, participation in our 401(k) plan, and an automobile allowance. The Company has also agreed to make certain "gross up" payments if other payments to Mr. Fiorentino are deemed by the IRS to be subject to excise tax.

Under his employment agreement, the vesting schedule of previously granted options was accelerated as follows: Mr. Fiorentino's option to purchase 350,000 shares of Company stock, granted on February 28, 2003, at an exercise price of \$1.76 per Share and his option to purchase 50,000 shares of Company stock, granted on April 1, 2003, at an exercise price of \$1.95 per Share both would vest at 20% per year with the first 20% vesting on October 12, 2004 (the date of execution of the employment agreement). Mr. Fiorentino also was granted new options under the Company's 1999 Long Term Stock Incentive Plan for 166,667 shares, and the agreement obligated the Company to issue additional options on 166,667 shares in each of August 2005 and 2006, at the then-fair market value. Options vest in five annual cumulative installments of 20% each, subject to earlier termination.

Mr. Fiorentino was also granted, pursuant to a restricted stock unit agreement (the form of which is part of his employment agreement), 1,000,000 restricted stock units under the 1999 Long Term Stock Incentive Plan conditioned on stockholder approval and the satisfaction of certain performance conditions based on the earnings before interest, taxes, depreciation and amortization in fiscal 2004 or fiscal 2005. Such restricted stock units vest in accordance with the following schedule: 200,000 on May 31, 2005 and 100,000 on April 1, 2006 and each April thereafter, until April 1, 2013, subject to earlier termination. The restricted stock units do not reflect actual issued shares; shares are distributed within 30 days after a "Distribution Event". A Distribution Event is defined as (x) the earliest of the date that Mr. Fiorentino is no longer employed by the Company, the date of a change of control (as defined) or January 1, 2006 for the units that vest in 2005 or (y) the date on which any subsequent units vest for units that vest after 2005. If the Company pays dividends or makes other distributions during the term of the restricted stock agreement, however, Mr. Fiorentino has the right to receive equivalent payments under certain circumstances, but shares of Company stock shall only be distributed when there is a Distribution Event.

Mr. Fiorentino's total compensation for 2010 was higher than the Company's other NEO's primarily as a result of the proportionally higher level of non-equity incentive plan/bonus compensation granted to Mr. Fiorentino for 2010.

Compensation that may become payable following the termination of his employment or a change in control of the Company, and other terms of the employment agreement related to such events, are discussed below under "—Potential Payments Upon Termination or Change in Control."

### ***2011 NEO Cash Bonus Plan***

In March 2011, pursuant to the 2010 Long Term Incentive Plan previously adopted by the Board of Directors and by the stockholders at the 2010 Annual Meeting, our Compensation Committee, with input from our Chief Executive Officer, established our 2011 NEO Cash Bonus Plan ("2011 Bonus Plan") providing for target cash bonuses for the NEO's based on the achievement of certain financial and non-financial performance-based criteria in 2011. The 2011 Bonus Plan implemented for 2011 the 2010 Long Term Incentive Plan and pertains specifically to the payment of non-equity incentive compensation to NEO's for 2011.

For 2011, such financial and non-financial goals, the percentage of the executive's entire cash bonus tied to such goals and the weighting of each component under such goal, were as follows:

- Financial Goals (80% of total cash bonus target)
  - Adjusted Operating Income Growth (60%); the Compensation Committee believes this is the most important individual component and aligns the interests of our executives with those of our stockholders, in addition to building long term value. Adjusted Operating Income is defined as operating income adjusted for unusual or nonrecurring items as determined by our Compensation Committee.
  - Sales Growth (20%); the Compensation Committee believes topline sales growth is key to our Company achieving the scale necessary to remain competitive with larger companies. Sales are defined as sales revenue net of returns on a constant currency basis.
- Non-Financial Goals for 2010 (20% of total cash bonus target)
  - Strategic Accomplishments (seven specific goals weighted at an aggregated 70% of the total non-financial goal): These goals relate to various strategic initiatives relating to enhancing our management and business information systems, and implementing distribution/warehouse system improvements. The Compensation Committee believes these initiatives will enhance the Company’s operational infrastructure and efficiency.
  - Corporate Governance Goals for 2010 (three specific goals weighted at 30% of the total non-financial goal): These goals relate to continuing improvements in our internal processes and procedures that the Compensation Committee believes will generally benefit stockholders.

Achievement of each of the target financial goals generates a variable target bonus payment (base case); reduced bonuses are payable on a pro rata basis for each financial goal component, starting at achievement of in excess of 80% of the target financial goal component amount up to 140% of the target financial goal component amount. Each 1% variance in actual achievement from the 100% level generates a 5% variance in the target bonus amount for that component, and no bonus is payable in respect of these components if achievement is 80% or less of the target financial component goal amount. Increased bonuses (up to 300% of the target bonus amount for each component) are payable on a pro rata basis for each financial goal component amount achieved. The non-financial goals are measured based on whether or not the goal is either accomplished or not accomplished during the fiscal year.

Under the 2011 Bonus Plan, the Compensation Committee set the following cash bonus target amounts for each of our named executive officers, assuming achievement of the 2011 financial and non-financial goals at 100% base case target levels:

Richard Leeds	\$1,100,000
Bruce Leeds	\$ 750,000
Robert Leeds	\$ 750,000
Lawrence Reinhold	\$ 825,000
Gilbert Fiorentino <sup>6</sup>	\$1,950,000

The Compensation Committee believes these bonus levels are appropriate for each of our named executive officers; these bonus levels are the same as those that were set for the named executive officers in 2010, and take into account the 2011 base salary increases discussed below. The 2011 salary increases reflect the Compensation Committee’s view that such increases are appropriate in light of 2011 NEO bonuses being set at the same level as 2010 and 2010 NEO base salary having been held at the same level as 2009.

The 2011 Bonus Plan imposes a cap on the total bonus that could be payable to any executive at 300% of

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<sup>6</sup> Mr. Fiorentino has been placed on administrative leave from his position with the Company pending the outcome of the meeting. See “Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino” at page 33 and “Potential Payments Upon Termination or Change of Control- Gilbert Fiorentino” at page 40 for additional information.

the target base case bonus. The Compensation Committee has the discretion to adjust financial targets based on such events as acquisitions or other one time charges or gains, or other unforeseen circumstances, that can skew normal operating results. Targets and bonuses are also subject to adjustment to prevent unreasonable results in the strict application of these formulas. Executives must generally be employed with the Company at the time the bonuses are paid out to receive the bonus.

In addition, the Board can demand repayment to the Company of any cash bonuses paid in the event that (i) the executive's misconduct caused the Company to restate its reported financial results; (ii) the reported results created a bonus that would not have been paid based on the restated results, or (ii) the executive engages in serious ethical misconduct.

### **Compensation Committee Report to Stockholders\***

The Compensation Committee of the Board has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, which appears in this proxy statement, with our management. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement on Schedule 14A.

COMPENSATION COMMITTEE  
Robert D. Rosenthal (Chairman)  
Stacy S. Dick  
Marie Adler-Kravecvas

The information contained in this Compensation Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any filings under the Securities Act of 1933, as amended, which we refer to as the Securities Act, or under the Exchange Act, except to the extent that we specifically incorporate this information by reference into any such filing.

### **Compensation Committee Interlocks and Insider Participation**

The members of the Company's Compensation Committee for fiscal year 2010 were Marie Adler-Kravecvas, Robert D. Rosenthal and Stacy S. Dick. The Company does not employ any member of the Compensation Committee and no member of the Compensation Committee has ever served as an officer of the Company. In addition, none of our directors serving on the Compensation Committee has any relationship that requires disclosure under SEC regulations.

## SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned by the Chief Executive Officer (“CEO”, our principal executive officer), Chief Financial Officer (“CFO”, our principal financial officer), and the three most highly compensated officers other than the CEO and CFO (collectively the “Named Executive Officers”) for fiscal years 2008, 2009 and 2010:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity	All Other	Total (\$)
						Incentive Plan Compensation (\$)(3)	Compensation (\$)	
Richard Leeds Chairman and Chief Executive Officer	2010	567,000				462,000	23,704 (4)	1,052,704
	2009	567,000	-			975,000	21,394	1,563,394
	2008	550,000	550,000	-	-	-	26,522	1,126,522
Bruce Leeds Vice Chairman	2010	470,000				315,000	20,349 (4)	798,291
	2009	470,000	-		-	670,000	18,321	1,158,321
	2008	450,000	375,000	-	-	-	21,329	846,329
Robert Leeds Vice Chairman	2010	470,000				315,000	19,064 (4)	797,006
	2009	470,000	-			670,000	16,063	1,156,063
	2008	450,000	375,000	-	-	-	20,003	845,003
Lawrence Reinhold Executive Vice President and Chief Financial Officer	2010	471,912		2,168,250		346,500	23,776 (5)	3,010,438
	2009	471,625	-	-	1,013,170	719,200	26,531	2,230,526
	2008	455,250	325,000	-	353,250	-	22,923	1,156,423
Gilbert Fiorentino Chief Executive Technology Products Group <sup>7</sup>	2010	501,753				819,000	25,773 (5)(6)	1,346,486
	2009	501,378	-		-	2,245,000	325,195 (6)	3,071,573
	2008	476,875	-		-	1,400,000	622,945 (6)	2,499,820

(1) This column represents the aggregate grant date fair value of the stock awards calculated in accordance with FASB ASC Topic 718. See Note 8, "Shareholders' Equity" in the Notes to Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2010, for further information regarding share-based compensation.

(2) This column represents the fair value of the stock option on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. These amounts were calculated using the Black-Scholes option-pricing model. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 8 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal year 2010.

(3) The 2009 figures in this column represent the amount earned in fiscal year 2009 (although paid in fiscal year 2010) pursuant to the 2009 Bonus Plan and the 2010 figures in this column represent the amount earned in fiscal year 2010 (although paid in fiscal year 2011) pursuant to the 2010 Bonus Plan. For more information, see the Grants of Plan-Based Awards table below. Because these payments, as well as the payment that Mr. Fiorentino earned in 2008, were based on predetermined performance metrics, these amounts are reported in the Non-Equity Incentive Plan column.

<sup>7</sup> Mr. Fiorentino is on administrative leave from his position with the Company. See “Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino” at page 33 and “Potential Payments Upon Termination or Change of Control- Gilbert Fiorentino” at page 40 for additional information.



(4) Auto-related expenses.

(5) Includes auto-related expenses and Company 401(k) contributions.

(6) Does not include certain monetary and non-monetary Company assets obtained by Mr. Fiorentino without Company authorization, and which the Company is attempting to quantify and recover from him.

#### GRANTS OF PLAN-BASED AWARDS

The following table sets forth the estimated possible payouts under the cash incentive awards granted to our named executive officers in respect of 2010 performance, and the restricted stock award granted to one of our named executive officers in 2010.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards:	
		Threshold (\$)	Target (\$)	Maximum (\$)	Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Award (\$/Sh)
Richard Leeds		264,000	1,100,000	2,860,000	-	-
Bruce Leeds		180,000	750,000	1,950,000	-	-
Robert Leeds		180,000	750,000	1,950,000	-	-
Lawrence P. Reinhold (2)		198,000	825,000	2,145,000	-	-
	8/25/10	-	-	-	175,000	<b>12.39</b>
Gilbert Fiorentino <sup>8</sup>		468,000	1,950,000	5,070,000	-	-

(1) Amounts presented assume payment of threshold, target and maximum awards at the applicable level.

(2) The restricted stock award granted to Mr. Reinhold in August 2010 vests in ten equal installments annually, commencing on May 15, 2010.

<sup>8</sup> See "Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino" at page 33 and "Potential Payments Upon Termination or Change of Control- Gilbert Fiorentino" at page 40 for additional information.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END 2010

The following table sets forth information regarding stock option and restricted stock awards previously granted which were outstanding at the end of fiscal year 2010.

The market value of the stock award is based on the closing price of one share of our common stock as of December 31, 2010, which was \$14.10.

Name (a)	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (b)	Number of Securities Underlying Unexercised Options Unexercisable (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (h)
Lawrence Reinhold	75,000	25,000	(1) \$20.15	1/17/17	-	-
	25,000	25,000	(1) \$11.51	3/11/18	-	-
	25,000	75,000	(1) \$13.19	5/17/19	-	-
Gilbert Fiorentino <sup>9</sup>	70,000	(3) -	\$1.76	2/28/13	175,000	(2) \$2,168,250
	10,000	-	\$1.95	4/1/13	-	-
	166,667	-	\$5.65	10/11/14	-	-
	166,667	-	\$6.80	3/22/16	-	-
	166,667	-	\$8.06	8/25/16	-	-
	-	-	-	-	300,000	(4) \$4,230,000

(1) Options vest 25% per year over four years from date of grant.

(2) Restricted shares vest in ten equal installments of 17,500 shares beginning May 15, 2011.

(3) Granted pursuant to Mr. Fiorentino's employment agreement (see page 28 above). Options vest 20% per year over five years from date of grant, subject to earlier termination.

(4) The remaining restrictions lapse annually in 100,000 share increments through April 2013, subject to earlier termination.

<sup>9</sup> See "Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino" at page 33 and "Potential Payments Upon Termination or Change of Control- Gilbert Fiorentino" at page 40 for additional information. Mr. Fiorentino has been placed on administrative leave.

## OPTION EXERCISES AND STOCK VESTED

The following table sets forth information regarding exercise of options to purchase shares of the Company's common stock and vesting of restricted stock units by the named executive officers that exercised options or whose restricted stock vested during fiscal year 2010:

Name	Option Awards		Restricted Stock Units Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
(a)	(b)	(\$) (1) (c)	(#) (d)	(\$) (2) (e)
Gilbert Fiorentino			100,000	\$2,190,000

(1) The amount in this column reflects the aggregate dollar amount realized upon the exercise of the options, determined by the difference between the market value of the underlying shares of common stock at exercise and the exercise price of the options.

(2) The amount in this column reflects the aggregate dollar amount realized upon the vesting of the restricted stock unit, determined by the market value of the underlying shares of common stock on the vesting date.

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

### *Gilbert Fiorentino*<sup>10</sup>

Pursuant to Mr. Fiorentino's employment agreement, the Company may terminate the agreement without cause on 30 days' notice provided certain severance payments are made. If Mr. Fiorentino is terminated by the Company without cause (as defined in the agreement), under most circumstances he would become vested in at least half of the restricted stock units that were awarded to him (or all of such units under certain circumstances if a "Qualified Change of Control" as, defined in the agreement, had occurred), subject to the Company's right to redeem such units. In addition, Mr. Fiorentino is entitled to a special bonus of 0.85% of the total proceeds of a "qualified" change of control transaction upon the first occurrence of a change of control meeting certain conditions.

Under his Employment Agreement, Mr. Fiorentino is entitled to 15 days notice of termination for cause, and is provided with the opportunity (together with his counsel) to meet with the Executive Committee to discuss the issues described in the notice. On April 18, 2011, the Company provided Mr. Fiorentino with notice of its intent to terminate his employment pursuant to his Employment Agreement, and the Executive Committee meeting is scheduled for May 3, 2011. Following the meeting the Company will make a final determination regarding Mr. Fiorentino's employment. In the event he is terminated for cause, the Company is obligated to pay him any accrued but unpaid base salary and vacation pay.

Mr. Fiorentino is subject to a two-year non-competition covenant following termination of employment, although such period can be shortened to one year or lengthened to three years by the Company in the event of a termination without "cause" (as defined). The Company is obligated to continue the employee's salary and certain other benefits for such non-competition period after an early termination by (a) the Company other than for cause or (b) the employee for "good reason" (as defined) or after the expiration of the agreement at its scheduled termination

<sup>10</sup> See "Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino" at page 33 for additional information.

date. In the event of a termination without “cause” by the Company or a termination by the employee for “good reason,” certain unvested restricted stock units generally vest and certain options may vest. In certain instances the Company has the right to redeem vested restricted stock units at fair market value.

*Lawrence Reinhold*

Mr. Reinhold’s employment agreement is terminable upon death or total disability, by the Company for “cause” (as defined) or without cause, or by the employee voluntarily for any reason or for “good reason” (as defined). In the event of termination for death, disability, cause or voluntary termination by Mr. Reinhold, the Company will owe no further payments other than as applicable under disability or medical plans, any accrued but unused vacation time (up to four weeks) and, in the event of termination for disability or death, the pro rata portion of any bonus which would otherwise be paid. If Mr. Reinhold resigns for good reason or if the Company terminates him for any reason other than disability, death or cause, he shall also receive severance payments equal to 12 months’ base salary (or 24 months’ base salary if termination is within 60 days prior to or one year following a “change of control,” as defined), one year’s bonus based on his average annual bonus for the prior two years (unless he was employed for less than two years in which case he will receive a prorated bonus) and a reimbursement of costs for COBRA insurance coverage in addition to the payments paid for other terminations.

**Termination of Employment Without Change In Control**

The table below sets forth the severance payments that would have been made had the employment of Mr. Reinhold or Mr. Fiorentino (as defined in their employment agreements) been terminated without cause in a situation not involving a change in control, based on a hypothetical termination date of January 1, 2011, the last day of the Company’s fiscal year 2010, and using the closing price of our common stock on December 31, 2010. These amounts are estimates and the actual amounts to be paid can only be determined at the time of the termination of the officer’s employment.

Name	Cash Compensation (Salary and Bonus) (\$)	Value of Accelerated Vesting of Stock Awards (\$)	Medical and Other Benefits (\$)	Total (\$)
Lawrence P. Reinhold	1,004,762 (1)	2,467,500 (2)	-	3,472,262
Gilbert Fiorentino <sup>11</sup>	1,822,506 (3)	1,410,000 (4)	51,546 (5)	3,284,052

- (1) Represents one year’s salary of \$471,912 and an average yearly cash bonus of \$532,850 paid to Mr. Reinhold for fiscal years 2009 and 2010.
- (2) Represents accelerated vesting of 175,000 restricted stock units.
- (3) Represents two years’ salary of \$501,753 per year and cash bonus of \$819,000 for fiscal year 2010.
- (4) Represents accelerated vesting of 100,000 restricted stock units.
- (5) Represents two years’ medical and other benefits.

<sup>11</sup> Mr. Fiorentino is on administrative leave from his position with the Company. See “Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino” at page 33 for additional information.

## Change In Control Payments

The table below sets forth the change in control payments that would have been made based on a hypothetical change of control date of January 1, 2011, the last day of the Company's fiscal year 2010, and using the closing price of our common stock on December 31, 2010. These amounts are estimates and the actual amounts to be paid can only be determined at the time of the change of control.

Name	Cash Compensation (Salary and Bonus) (\$)	Value of Accelerated Vesting of Stock Awards (\$)	Medical and Other Benefits (\$)	Total (\$)
Lawrence P. Reinhold	1,476,674 (1)(2)	2,467,500 (3)	-	4,290,006 (2)
Gilbert Fiorentino <sup>12</sup>	1,822,506 (4)(5)	4,230,000 (6)	51,546 (7)	6,104,052 (8)

- (1) Represents two years' salary of \$471,912 per year and an average yearly cash bonus of \$532,850 paid to Mr. Reinhold for the fiscal years 2009 and 2010.
- (2) Payments are to Mr. Reinhold only if he is terminated without "cause" or resigns for "good reason" within 60 days prior to, or one year following, a Change of Control.
- (3) Represents accelerated vesting of 175,000 restricted units.
- (4) Represents two years' salary of \$501,753 per year and cash bonus of \$819,000 for fiscal year 2010.
- (5) Upon a "Qualifying Change of Control" as defined in his employment agreement, Mr. Fiorentino would also receive 0.85% of "Qualifying Value" of "Qualifying Change of Control" transaction as defined in his employment agreement.
- (6) Represents accelerated vesting of 300,000 restricted stock units.
- (7) Upon a change in control, Mr. Fiorentino may be subject to certain excise taxes under Section 280G of the Code. The Company has agreed to reimburse Mr. Fiorentino for those excise taxes as well as for any income and excise taxes payable by the officers as a result of any such reimbursement capped at \$6 million in the aggregate.
- (8) Plus additional amounts for a "Qualifying Change of Control" payment as described in footnote (5). Reimbursement of excise taxes as described in footnote (7) may also be due.

<sup>12</sup> Mr. Fiorentino is on administrative leave from his position with the Company. See "Employment Arrangements of the Named Executive Officers- Gilbert Fiorentino" at page 33 and "Potential Payments Upon Termination or Change of Control- Gilbert Fiorentino" at page 40 for additional information.

## DIRECTOR COMPENSATION

The Company's policy is not to pay compensation to Directors who are also employees of the Company or its subsidiaries. Each non-employee Director receives annual compensation as follows, commencing June 11, 2010: \$65,000 per year as base compensation, \$10,000 per year for each committee chair, except for the Audit Committee Chair who receives \$20,000, and a grant each year of shares of Company stock (restricted for sale for two years) in an amount equal to \$40,000 divided by the fair market value of such stock on the date of grant. The Lead Independent Director, currently Robert D. Rosenthal, also receives an additional \$20,000 per year. The restricted stock grants are made pursuant to the Company's 2006 Stock Incentive Plan for Non-Employee Directors, which was approved by the Company's stockholders at the 2006 Annual Stockholders' Meeting. Directors are reimbursed for reasonable travel and out-of-pocket expenses incurred for attending Board and Committee meetings and are covered by our travel accident insurance policy for such travel.

### Director Compensation For Fiscal Year 2010

The following table sets forth compensation information regarding payments in 2010 to our non-employee Directors:

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (\$) (1) (c)	Option Awards (\$) (2) (d)	Total (\$) (h)
Robert D. Rosenthal	125,000	25,000		150,000
Stacy S. Dick	105,000	25,000		130,000
Marie Adler-Kravec	85,000	25,000		110,000

(1) This column represents the fair value of the stock award on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. These amounts were calculated using the Black-Scholes option-pricing model. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 8 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal year 2010.

(2) This column represents the fair value of the stock option award on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. These amounts were calculated using the Black-Scholes option-pricing model. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 8 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal year 2010.

The following table presents the aggregate number of outstanding stock awards and stock option awards held by each of our non-employee Directors at the end of fiscal year 2010:

Name :	Stock Awards	Option Awards
Marie Adler-Kravec	4,134	5,000
Robert D. Rosenthal	8,862	9,000
Stacy S. Dick	8,862	18,500

**PROPOSAL NO. 2**  
**NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION**

The guiding principles of the Company's compensation policies and decisions include aligning each executive's compensation with the Company's business strategy and the interests of our stockholders and providing incentives needed to attract, motivate and retain key executives who are important to our long-term success. Consistent with this philosophy, a significant portion of the total incentive compensation for each of our executives is directly related to the Company's financial results and to other performance factors that measure our progress against the goals of our strategic and operating plans.

Stockholders are urged to read the Compensation Discussion and Analysis section of this Proxy Statement, which discusses how our compensation design and practices reflect our compensation philosophy. The Compensation Committee and the Board believe that our compensation design and practices are effective in implementing our guiding principles.

We are required to submit a proposal to stockholders for a (non-binding) advisory vote to approve the compensation of our named executives pursuant to Section 14A of the 1934 Act. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on the compensation of our named executives. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executives and the principles, policies and practices described in this proxy statement. Accordingly, the following resolution is submitted for stockholder vote at the 2011 Annual Meeting:

"RESOLVED, that the stockholders of Systemax Inc. approve, on an advisory basis, the compensation of its named executives as disclosed in the Proxy Statement for the 2011 Annual Meeting, including the Summary Compensation Table and the Compensation Discussion and Analysis set forth in such Proxy Statement and other related tables and disclosures."

The affirmative vote of a majority of the votes cast for this proposal is required to approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in this proxy statement.

As this is an advisory vote, the result will not be binding on the Company, the Board or the Compensation Committee, although our Compensation Committee will consider the outcome of the vote when evaluating our compensation principles, design and practices. Proxies submitted without direction pursuant to this solicitation will be voted "FOR" the approval of the compensation of the Company's named executives, as disclosed in this proxy statement.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF ITS NAMED EXECUTIVES, AS DISCLOSED IN THIS PROXY STATEMENT.**

**PROPOSAL NO. 3**  
**NON-BINDING ADVISORY VOTE ON THE FREQUENCY OF HOLDING AN ADVISORY**  
**VOTE ON EXECUTIVE COMPENSATION**

Pursuant to Section 14A of the 1934 Act, the Company is required at least once every six years to submit to stockholders for a (non-binding) advisory vote a proposal as to whether the stockholder (non-binding) advisory vote to approve the compensation of its named executives — Proposal No. 2 above — should occur every one, two or three years. You may cast your vote by choosing one year, two years or three years or you may abstain from voting when you vote for the resolution set forth below.

In formulating its recommendation, the Board has determined that an advisory vote on executive compensation every three years is the best approach for the Company based on a number of considerations, including the following:

- Our compensation program is designed to induce performance over a multi-year period. A vote held every three years would be more consistent with, and provide better input on, our long-term compensation, which constitutes a significant portion of the compensation of our named executives;
- A three-year vote cycle gives the Board sufficient time to thoughtfully consider the results of the advisory vote and to implement any desired changes to our executive compensation policies and procedures; and
- A three-year cycle will provide stockholders sufficient time to evaluate the effectiveness of our short- and long-term compensation strategies and the related business outcomes of the Company.

Accordingly, the following resolution is submitted for stockholder vote at the 2011 Annual Meeting:

“RESOLVED, that the option set forth below receiving a majority of the votes cast by the stockholders of Systemax Inc. shall be the preferred frequency with which Systemax Inc. is to hold an advisory vote on the approval of the compensation of its named executives included in the proxy statement:

- yearly or
- every two years or
- every three years”

The option of one year, two years or three years that receives a majority of votes cast by stockholders will be the frequency for the advisory vote on executive compensation that has been selected by stockholders. However, as this is an advisory vote, the result will not be binding on our Board or the Company. Our Compensation Committee will consider (but will not be bound by) the outcome of the vote when determining how often the Company should submit to stockholders an advisory vote to approve the compensation of its named executives included in the Company’s proxy statement; if no option receives a majority vote, the Compensation Committee, in line with the Board’s recommendation, will follow the “EVERY THREE YEARS” OPTION. Proxies submitted without direction pursuant to this solicitation will be voted for the option of “EVERY THREE YEARS”.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE OPTION OF “EVERY THREE YEARS” AS THE FREQUENCY WITH WHICH STOCKHOLDERS ARE PROVIDED AN ADVISORY VOTE ON THE COMPENSATION OF ITS NAMED EXECUTIVES INCLUDED IN THE COMPANY’S PROXY STATEMENT.



**PROPOSAL NO. 4**  
**RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

Action is to be taken at the Annual Meeting to ratify the selection of Ernst & Young LLP as independent registered public accountants for the Company for fiscal year 2011.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and to be available to respond to appropriate questions. They will have an opportunity to make a statement if they so desire.

**Principal Accounting Fees and Services**

The following are the fees billed by Ernst & Young LLP for services rendered during fiscal years 2009 and 2010:

Audit and Audit-related Fees

Ernst & Young billed the Company \$1,731,000 for professional services rendered for the audit of the Company's annual consolidated financial statements for fiscal year 2010 and its reviews of the interim financial statements included in the Company's Forms 10-Q for that fiscal year and \$2,335,400 for such services rendered for fiscal year 2009.

In accordance with the SEC's definitions and rules, "audit fees" are fees that were billed to the Company by Ernst & Young for the audit of the Company's annual financial statements, to be included in the Form 10-K, and review of financial statements included in the Form 10-Qs; for the audit of the Company's internal control over financial reporting with the objective of obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects; for the attestation of management's report on the effectiveness of internal control over financial reporting; and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements. "Audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of the company's financial statements and internal control over financial reporting, including services in connection with assisting the company in its compliance with its obligations under Section 404 of the Sarbanes-Oxley Act and related regulations.

Tax Fees

Tax fees included services for international tax compliance, planning and advice. Ernst & Young LLP billed the Company for professional services rendered for tax compliance, planning and advice in 2009 and 2010 an aggregate of \$85,000 and \$0, respectively.

All Other Fees

Other fees (*i.e.*, those that are not audit fees, audit related fees, or tax fees) of \$1,195 and \$1,995 were billed by Ernst & Young LLP for fiscal years 2009 and 2010.

The Audit Committee is responsible for approving every engagement of the Company's independent registered public accountants to perform audit or non-audit services on behalf of the Company or any of its subsidiaries before such accountants can be engaged to provide those services. The Audit Committee does not delegate its pre-approval authority. The Audit Committee has reviewed the services provided to the Company by Ernst & Young LLP and believes that the non-audit/review services it has provided are compatible with maintaining the auditor's independence.

Stockholder ratification of the selection of Ernst & Young LLP as the Company's independent registered public accountants is not required by the Company's By-Laws or other applicable legal requirement. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to continue to retain that firm. Even if the selection is ratified, the Audit Committee at its discretion may direct the appointment of different independent registered public accountants at any time during the year or thereafter if it

determines that such a change would be in the best interests of the Company and its stockholders.

### **Vote Required for Approval**

Ratification of the selection of Ernst & Young LLP as the Company's independent registered public accountants will require the affirmative vote of the holders of a majority of the Shares present in person or by proxy and entitled to vote on the issue. There are no rights of appraisal or dissenter's rights as a result of a vote on this issue.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR FISCAL 2011, WHICH IS DESIGNATED AS PROPOSAL NO. 4.**

### **ADDITIONAL MATTERS**

#### **Solicitation of Proxies**

We are using the Securities and Exchange Commission, or SEC, Notice and Access rule that allows us to furnish our proxy materials over the internet to our stockholders instead of mailing paper copies of those materials to each stockholder. As a result, beginning on or about April 29, 2011, we sent to most of our stockholders by mail a notice containing instructions on how to access our proxy materials over the internet and vote online. This notice is not a proxy card and cannot be used to vote your shares. If you received only a notice this year, you will not receive paper copies of the proxy materials unless you request the materials by following the instructions on the notice or on the website referred to in the notice.

The proxy statement and annual report on Form 10-K for fiscal year 2010 are available at [www.proxyvote.com](http://www.proxyvote.com).

The cost of soliciting proxies for the Annual Meeting will be borne by the Company. In addition to solicitation by mail and over the internet, solicitations may also be made by personal interview, fax and telephone. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to their principals, and the Company will reimburse them for expenses in so doing. Consistent with the Company's confidential voting procedure, Directors, officers and other regular employees of the Company, as yet undesignated, may also request the return of proxies by telephone or fax, or in person.

#### **Stockholder Proposals**

Stockholder proposals intended to be presented at the Annual Meeting, including proposals for the nomination of Directors, must be received by February 10, 2012, to be considered for the 2012 annual meeting pursuant to Rule 14a-8 under the Exchange Act. Stockholders proposals should be mailed to Systemax Inc., Attention: Investor Relations, 11 Harbor Park Drive, Port Washington, NY 11050.

#### **Other Matters**

The Board does not know of any matter other than those described in this proxy statement that will be presented for action at the meeting. If other matters properly come before the meeting, the persons named as proxies intend to vote the Shares they represent in accordance with their judgment.

**A COPY OF THE COMPANY'S FORM 10-K FOR FISCAL YEAR 2010 IS INCLUDED AS PART OF THE COMPANY'S ANNUAL REPORT ALONG WITH THIS PROXY STATEMENT, WHICH ARE AVAILABLE AT [www.proxyvote.com](http://www.proxyvote.com).**

## Available Information

The Company maintains an internet web site at *www.systemax.com* . The Company files reports with the Securities and Exchange Commission and makes available free of charge on or through this web site its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including all amendments to those reports. These are available as soon as is reasonably practicable after they are filed with the SEC. All reports mentioned above are also available from the SEC's web site (*www.sec.gov*). The information on the Company's web site or any report the Company files with, or furnishes to, the SEC is not part of this proxy statement.

The Board has adopted the following corporate governance documents (the "Corporate Governance Documents"):

- Corporate Ethics Policy for officers, Directors and employees;
- Charter for the Audit Committee of the Board;
- Charter for the Compensation Committee of the Board;
- Charter for the Nominating/Corporate Governance Committee of the Board; and
- Corporate Governance Guidelines and Principles.

In accordance with the corporate governance rules of the New York Stock Exchange, each of the Corporate Governance Documents is available on the Company's Company web site (*www.systemax.com*).

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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-13792

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### Systemax Inc.

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**11-3262067**  
(I.R.S. Employer  
Identification No.)

**11 Harbor Park Drive**  
**Port Washington, New York 11050**  
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(516) 608-7000**

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

**Title of each class**  
Common Stock, par value \$.01 per share

**Name of each exchange on which registered**  
New York Stock Exchange

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

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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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) 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 knowledge of the registrant, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of 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   
Non-Accelerated Filer

Accelerated Filer   
Smaller reporting company

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2010, which is the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$158,673,326. For purposes of this computation, all executive officers and directors of the Registrant and all parties to the Stockholders Agreement dated as of June 15, 1995 have been deemed to be affiliates. Such determination should not be deemed to be an admission that such persons are, in fact, affiliates of the Registrant.

The number of shares outstanding of the registrant's common stock as of March 4, 2011 was 36,791,488 shares.

Documents incorporated by reference: Portions of the Proxy Statement of Systemax Inc. relating to the 2011 annual meeting of stockholders are incorporated by reference in Part III hereof.

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## PART I

Unless otherwise indicated, all references herein to Systemax Inc. (sometimes referred to as “Systemax,” the “Company” or “we”) include its subsidiaries.

### **Forward Looking Statements**

*This report contains forward looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Additional written or oral forward looking statements may be made by the Company from time to time in filings with the Securities and Exchange Commission or otherwise. Statements contained in this report that are not historical facts are forward looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements may include, but are not limited to, projections of revenue, income or loss and capital expenditures, statements regarding future operations, financing needs, compliance with financial covenants in loan agreements, plans for acquisition or sale of assets or businesses and consolidation of operations of newly acquired businesses, and plans relating to products or services of the Company, assessments of materiality, predictions of future events and the effects of pending and possible litigation, as well as assumptions relating to the foregoing. In addition, when used in this report, the words “anticipates,” “believes,” “estimates,” “expects,” “intends,” and “plans” and variations thereof and similar expressions are intended to identify forward looking statements.*

*Forward looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified based on current expectations. Consequently, future events and results could differ materially from those set forth in, contemplated by, or underlying the forward looking statements contained in this report. Statements in this report, particularly in “Item 1. Business,” “Item 1A. Risk Factors,” “Item 3. Legal Proceedings,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the Notes to Consolidated Financial Statements describe certain factors, among others, that could contribute to or cause such differences.*

Other factors that may affect our future results of operations and financial condition include, but are not limited to, unanticipated developments in any one or more of the following areas, as well as other factors which may be detailed from time to time in our Securities and Exchange Commission filings:

- risks involved with e-commerce, including possible loss of business and customer dissatisfaction if outages or other computer-related problems should preclude customer access to us
- general economic conditions, such as decreased consumer confidence and spending, reductions in manufacturing capacity, and inflation could result in our failure to achieve our historical sales growth rates and profit level
- the markets for our products and services are extremely competitive and if we are unable to successfully respond to our competitors’ strategies our sales and gross margins will be adversely affected
- state sales tax laws may be changed which could result in ecommerce and direct mail retailers having to collect sales taxes in states where the current laws do not require us to do so
- goodwill and intangible assets may become impaired resulting in a charge to earnings
- our substantial international operations are subject to risks such as fluctuations in currency rates ,foreign regulatory requirements, political uncertainty and the management of our growing international operations
- managing various inventory risks, such as being unable to profitably resell excess or obsolete inventory and/or the loss of product return rights and price protection from our vendors
- effective management of our rapid growth in retail stores in North America
- meeting credit card industry compliance standards in order to maintain our ability to accept credit cards
- significant changes in the computer products retail industry, especially relating to the distribution and sale of such products
- timely availability of existing and new products
- risks associated with delivery of merchandise to customers by utilizing common delivery services
- the effect on us of volatility in the price of paper and periodic increases in postage rates
- borrowing costs or availability
- pending or threatened litigation and investigations
- the availability of key personnel
- the continuation of key vendor relationships
- the operation of the Company’s management information systems
- the ability to maintain satisfactory credit arrangements

Readers are cautioned not to place undue reliance on any forward looking statements contained in this report, which speak only as of the date of this report. We undertake no obligation to publicly release the result of any revisions to these forward looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unexpected events.

## **Item 1. Business.**

### **General**

Systemax is primarily a direct marketer of brand name and private label products. Our operations are organized in two reportable business segments — Technology Products and Industrial Products.

Our Technology Products segment sells computers, computer supplies and consumer electronics which are marketed in North America and Europe. Most of these products are manufactured by other companies. Some products are manufactured for us to our own design and marketed on a private label basis. Technology Products accounted for 93%, 94% and 92% of our net sales in 2010, 2009 and 2008, respectively.

Our Industrial Products segment sells a wide array of industrial products and supplies which are marketed in North America. Most of these products are manufactured by other companies. Some products are manufactured for us to our own design and marketed on a private label basis. Industrial products accounted for 7%, 6% and 8% of our net sales in 2010, 2009 and 2008, respectively.

The Company announced plans to exit its Software Solutions segment in June 2009 as the result of economic conditions and difficulties in marketing the segment's products successfully (See Note 7 to the Consolidated Financial Statements included in Item 15 of this Form 10-K.). The Software Solutions segment participated in the emerging market for on-demand, web-based business software applications through the marketing of its PCS ProfitCenter Software™ application. Substantially all of the third party business activities of the Software Solutions segment have ended. Current and prior year results of Software Solutions are now included in "Corporate and other".

See Note 11 to the Consolidated Financial Statements included in Item 15 of this Form 10-K for additional financial information about our business segments as well as information about our geographic operations.

The Company was incorporated in Delaware in 1995. Certain predecessor businesses which now constitute part of the Company have been in business since 1949. Our headquarters office is located at 11 Harbor Park Drive, Port Washington, New York.

### **Products**

We offer hundreds of thousands of brand name and private label products. We endeavor to expand and keep current the breadth of our product offerings in order to fulfill the increasingly wide range of product needs of our customers.

Products offered by our Technology Products segment include individual technology products in the following categories: computers; computer parts; TV and video; audio; cameras and camcorders; car and GPS; cell phones; software; video games; home and office; and other products.

We assemble our private label PCs in our ISO-9001:2008 certified facility in Fletcher, Ohio. We purchase components and subassemblies from suppliers in the United States as well as overseas. Certain parts and components for our PCs are obtained from a limited group of suppliers. We also utilize licensed technology and computer software in the assembly of our PCs. For a discussion of risks associated with these licenses and suppliers, see Item 1A, Risk Factors.

Products offered by our Industrial Products segment include individual industrial products in the following categories: material handling; storage and shelving; workbench & shop desks; packaging and supplies; furniture and office; foodservice and appliances; janitorial and maintenance; tools and instruments; fasteners and hardware; motors and power transmission; HVAC/R and fans; electrical and bulbs; plumbing supplies; and safety and medical items.

### **Sales and Marketing**

We market our products to both individual consumers and business customers. Our business customers include for-profit businesses, educational organizations and government entities. We have developed numerous proprietary customer and prospect databases.

To reach our individual consumer customers, we use online methods such as website campaigns, banner ads and e-mail campaigns. We are able to monitor and evaluate the results of our various advertising campaigns to enable us to execute them in the most cost-effective manner. We combine our use of e-commerce initiatives with catalog mailings, which generate online orders and calls to inbound sales representatives. These sales representatives use our information and distribution systems to fulfill orders and explore additional customer product needs. Sales to individual consumers are generally fulfilled from our own stock, requiring us to carry more inventory than we would for our business customers. We also periodically take advantage of attractive product pricing by making opportunistic bulk inventory purchases with the objective of turning them quickly into sales. We have also successfully increased our sales to individual consumers by using retail outlet stores. Over the past several years, the Company has expanded its brick and mortar retail operations through the CompUSA acquisition and by opening new stores.

We have established a multi-faceted direct marketing system to business customers, consisting primarily of our relationship marketers, catalog mailings and proprietary internet websites, the combination of which is designed to maximize sales. Our relationship marketers focus their efforts on our business customers by establishing a personal relationship between such customers and a Systemax account manager. The goal of the relationship marketing sales force is to increase the purchasing productivity of current customers and to actively solicit newly targeted prospects to become customers. With access to the records we maintain, our relationship marketers are prompted with product suggestions to expand customer order values. In certain countries, we also have the ability to provide such customers with electronic data interchange (“EDI”) ordering and customized billing services, customer savings reports and stocking of specialty items specifically requested by these customers. Our relationship marketers’ efforts are supported by frequent catalog mailings and e-mail campaigns, both of which are designed to generate inbound telephone sales, and our interactive websites, which allow customers to purchase products directly over the Internet. We believe that the integration of our multiple marketing methods enables us to more thoroughly penetrate our business, educational and government customer base. We believe increased internet exposure leads to more internet-related sales and also generates more inbound telephone sales; just as we believe catalog mailings and email campaigns which feature our websites results in greater internet-related sales.

***E-commerce***

The worldwide growth in active internet users has made e-commerce a significant opportunity for sales growth.

The increase in our internet-related sales enables us to leverage our advertising spending. We currently operate multiple e-commerce sites, including:

**North America**

- www.tigerdirect.com
- www.compusa.com
- www.circuitcity.com
- www.compusagoved.com
- www.compusabusiness.com
- www.tigerdirect.ca
- www.infotelusa.com
- www.globalcomputer.com
- www.globalgoved.com
- www.systemaxpc.com
- www.globalindustrial.com
- www.globalindustrial.ca

**Europe**

- www.misco.co.uk
- www.misco.de
- www.misco.fr
- www.misco.nl
- www.misco.it
- www.misco.es
- www.misco.se
- www.misco.at
- www.misco.ch
- www.misco.be
- www.misco.ie
- www.wstore.co.uk
- www.inmac-wstore.com
- www.dealopro.com

We are continually upgrading the capabilities and performance of these websites. Our internet sites feature on-line catalogs of hundreds of thousands of products, allowing us to offer a wider variety of computer and industrial products than our printed catalogs. Our customers have around-the-clock, on-line access to purchase products and we have the ability to create targeted promotions for our customers’ interests. Many of our internet sites also permit customers to purchase “build to order” PCs configured to their own specifications.

In addition to our own e-commerce websites, we have partnering agreements with several of the largest internet shopping and search engine providers who feature our products on their websites or provide “click-throughs” from their sites directly to ours. These arrangements allow us to expand our customer base at an economical cost.

***Catalogs***

We currently produce a total of 16 full-line or direct mail publications in North America and Europe under distinct titles. Our portfolio of catalogs includes such established brand names as *TigerDirect.com*<sup>TM</sup>, *Global Computer Supplies*<sup>TM</sup>, *TigerDirect.ca*<sup>TM</sup>, *Misco*<sup>®</sup>, *Global Industrial*<sup>TM</sup>, *Nexel*<sup>TM</sup> and *Inmac WStore*<sup>®</sup>. We mail catalogs to both businesses and individual consumers. In the case of business mailings, we mail our catalogs to many individuals at a single business location, providing us with multiple points-of-entry. Our in-house staff designs all of our catalogs, which reduces overall catalog expense and shortens catalog production time. Our catalogs are printed by third parties under fixed pricing arrangements. The commonality of certain core pages of our catalogs also allows for economies of scale in catalog production.

Continuing our focus on internet advertising, the distribution of our catalogs decreased to 33 million in 2010, which was 28.3% less than in the prior year. In 2010, we mailed approximately 26 million catalogs in North America, a 32.1% decrease from last year and approximately 7 million catalogs in Europe, or 9.7% fewer than mailed in 2009.



## **Customer Service, Order Fulfillment and Support**

We receive orders through the internet, by telephone, electronic data interchange and by fax. We generally provide toll-free telephone number access for our customers in countries where it is customary. Certain domestic call centers are linked to provide telephone backup in the event of a disruption in phone service.

Certain of our products are carried in stock, and orders for such products are fulfilled on a timely basis directly from our distribution centers, typically within one day of the order. We utilize numerous sales and distribution facilities in North America and Europe. Orders are generally shipped by third-party delivery services. We maintain relationships with a number of large distributors in North America and Europe that also deliver products directly to our customers.

We provide extensive technical telephone support to our private label PC customers. We maintain a database of commonly asked questions for our technical support representatives, enabling them to respond quickly to similar questions. We conduct regular on-site training seminars for our sales representatives to help ensure that they are well trained and informed regarding our latest product offerings.

## **Suppliers**

We purchase substantially all of our products and components directly from manufacturers and large wholesale distributors. In 2010, one vendor accounted for 10.0% of our purchases. One vendor accounted for 12.0% and another vendor accounted for 11.3% of our purchases in 2009 and one vendor accounted for 12.0% in 2008. The loss of these vendors, or any other key vendors, could have a material adverse effect on us.

Certain private label products are manufactured by third parties to our specifications.

## **Competition and Other Market Factors**

### ***Technology Products***

The North American and European technology product markets are highly competitive, with many U.S., Asian and European companies vying for market share. There are few barriers to entry, with these products being sold through multiple channels of distribution, including direct marketers, local and national retail computer stores, computer resellers, mass merchants, over the internet and by computer and office supply superstores.

Timely introduction of new products or product features are critical elements to remaining competitive. Other competitive factors include product performance, quality and reliability, technical support and customer service, marketing and distribution and price. Some of our competitors have stronger brand-recognition, broader product lines and greater financial, marketing, manufacturing and technological resources than us.

Conditions in the market for technology products remaining highly competitive characterized by prevalent discounting of product sales price as well as free or highly discounted freight offerings to our customers. These actions have and may continue to adversely affect our revenues and profits. Additionally, we rely in part upon the introduction of new technologies and products by other manufacturers in order to sustain long-term sales growth and profitability. There is no assurance that the rapid rate of such technological advances and product development will continue.

Current economic conditions raise additional factors as the loss of consumer confidence in the Company's markets could result in a decrease of spending in the categories of products we sell. It is also possible that as manufacturers react to the marketplace they may reduce manufacturing capacity and create shortages of product.

### ***Industrial Products***

The market for the sale of industrial products in North America is highly fragmented and is characterized by multiple distribution channels such as small dealerships, direct mail distribution, internet-based resellers, large warehouse stores and retail outlets. We also face competition from manufacturers' own sales representatives, who sell industrial equipment directly to customers, and from regional or local distributors. Many high volume purchasers, however, utilize catalog distributors as their first source of product. In the industrial products market, customer purchasing decisions are primarily based on price, product selection, product availability, level of service and convenience. We believe that direct marketing via sales representatives, catalog and the internet are effective and convenient distribution methods to reach mid-sized facilities that place many small orders and require a wide selection of products. In addition, because the industrial products market is highly fragmented and generally less brand oriented, it is well suited to private label products.

## Software Solutions

In June 2009, the Company announced plans to exit the Software Solutions segment as the result of economic conditions and difficulties in marketing the segment's products successfully (See Note 7 to the Consolidated Financial Statements included in Item 15 of this Form 10-K). The Software Solutions segment participated in the emerging market for on-demand, web-based business software applications through the marketing of its PCS ProfitCenter Software™ application. Substantially all of the third party business activities of the Software Solutions segments ended as of December 31, 2009. Current and prior year results of Software Solutions are now included in 'Corporate and other'.

## Employees

As of December 31, 2010, we employed a total of approximately 5,600 employees, of whom 4,200 were in North America and 1,400 were in Europe.

## Seasonality

As the Company's consumer channel sales have grown significantly in the past few years, the fourth quarter has represented a greater portion of annual sales than historically. Net sales have historically been modestly weaker during the second and third quarters as a result of lower business activity during those months. See Item 7, Management's Discussions and Analysis of Financial Condition and Results of Operations; Seasonality.

## Environmental Matters

Under various national, state and local environmental laws and regulations in North America and Western Europe, a current or previous owner or operator (including the lessee) of real property may become liable for the costs of removal or remediation of hazardous substances at such real property. Such laws and regulations often impose liability without regard to fault. We lease most of our facilities. In connection with such leases, we could be held liable for the costs of removal or remedial actions with respect to hazardous substances. Although we have not been notified of, and are not otherwise aware of, any material real property environmental liability, claim or non-compliance, there can be no assurance that we will not be required to incur remediation or other costs in connection with real property environmental matters in the future.

## Financial Information About Foreign and Domestic Operations

We conduct our business in North America (the United States, Puerto Rico and Canada) and Europe. Approximately 35.9%, 33.5% and 37.9% of our net sales during 2010, 2009 and 2008, respectively were made by subsidiaries located outside of the United States. For information pertaining to our international operations, see Note 11, "Segment and Related Information," to the Consolidated Financial Statements included in Item 15 of this Form 10-K. The following sets forth selected information with respect to our operations in those two geographic markets (in thousands):

	<u>North America</u>	<u>Europe</u>	<u>Total</u>
<u>2010</u>			
Net sales	\$ 2,543,014	\$ 1,046,975	\$ 3,589,989
Operating income	\$ 47,739	\$ 21,006	\$ 68,745
Identifiable assets	\$ 665,686	\$ 228,414	\$ 894,100
<u>2009</u>			
Net sales	\$ 2,317,475	\$ 848,520	\$ 3,165,995
Operating income	\$ 62,308	\$ 11,321	\$ 73,629
Identifiable assets	\$ 591,990	\$ 224,911	\$ 816,901
<u>2008</u>			
Net sales	\$ 2,092,372	\$ 940,589	\$ 3,032,961
Operating income	\$ 62,513	\$ 21,099	\$ 83,612
Identifiable assets	\$ 552,459	\$ 149,994	\$ 702,453

See Item 7, Management's Discussions and Analysis of Financial Condition and Results of Operations, for further information with respect to our operations.

## Available Information

We maintain an internet website at [www.systemax.com](http://www.systemax.com). We file reports with the Securities and Exchange Commission and make available free of charge on or through this website our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including all amendments to those reports. These are available as soon as is reasonably practicable after they are filed with the SEC. All reports mentioned above are also available from the SEC's website ([www.sec.gov](http://www.sec.gov)). The information on our website is not part of this or any other report we file with, or furnish to, the SEC.

Our Board of Directors has adopted the following corporate governance documents with respect to the Company (the "Corporate Governance Documents"):

- Corporate Ethics Policy for officers, directors and employees
- Charter for the Audit Committee of the Board of Directors
- Charter for the Compensation Committee of the Board of Directors
- Charter for the Nominating/Corporate Governance Committee of the Board of Directors
- Corporate Governance Guidelines and Principles

In accordance with the listing standards of the New York Stock Exchange, each of the Corporate Governance Documents is available on our Company website ([www.systemax.com](http://www.systemax.com)).

## Item 1A. Risk Factors.

There are a number of factors and variables described below that may affect our future results of operations and financial condition. Other factors of which we are currently not aware or that we currently deem immaterial may also affect our results of operations and financial position.

### Risks Related to the Economy and Our Industries

- *General economic conditions, such as decreased consumer confidence and spending, reductions in manufacturing capacity, and inflation could result in our failure to achieve our historical sales growth rates and profit levels.*

Current economic conditions may cause the loss of consumer confidence in the Company's markets which may result in a decrease of spending in the categories of products we sell. With conditions in the market for technology products remaining highly competitive, reductions in our selling prices, as we experienced in 2010 and 2009, would adversely affect our revenues and profits. It is also possible that as manufacturers react to the marketplace they may reduce manufacturing capacity or allocations to their customers creating shortages of product. Both we and our customers are subject to global political, economic and market conditions, including inflation, interest rates, energy costs, the impact of natural disasters, military action and the threat of terrorism. Our consolidated results of operations are directly affected by economic conditions in North America and Europe. We may experience a decline in sales as a result of poor economic conditions and the lack of visibility relating to future orders. Our results of operations depend upon, among other things, our ability to maintain and increase sales volumes with existing customers, our ability to limit price reductions and maintain our margins, our ability to attract new customers and the financial condition of our customers. A decline in the economy that adversely affects our customers, causing them to limit or defer their spending, would likely adversely affect our sales, prices and profitability as well. We cannot predict with any certainty whether we will be able to maintain or improve upon historical sales volumes with existing customers, or whether we will be able to attract new customers.

In response to economic and market conditions, from time to time we have undertaken initiatives to reduce our cost structure where appropriate. These initiatives, as well as any future workforce and facilities reductions, may not be sufficient to meet current and future changes in economic and market conditions and allow us to continue to achieve the growth rates and levels of profitability we have recently experienced. In addition, costs actually incurred in connection with our restructuring actions may be higher than our estimates of such costs and/or may not lead to the anticipated cost savings.

- *The markets for our products and services are extremely competitive and if we are unable to successfully respond to our competitors' strategies our sales and gross margins will be adversely affected.*

We may not be able to compete effectively with current or future competitors. The markets for our products and services are intensely competitive and subject to constant technological change. We expect this competition to further intensify in the future. Competitive factors include price, availability, service and support. We compete with a wide variety of other resellers and retailers, including internet marketers, as well as manufacturers. Many of our competitors are larger companies with greater financial, marketing and product development resources than ours. The market for the sale of industrial products in North America is highly fragmented and is characterized by multiple distribution channels such as

small dealerships, direct mail distribution, internet-based resellers, large warehouse stores and retail outlets. We also face competition from manufacturers' own sales representatives, who sell industrial equipment directly to customers, and from regional or local distributors. In addition, new competitors may enter our markets. This may place us at a disadvantage in responding to competitors' pricing strategies, technological advances and other initiatives, resulting in our inability to increase our revenues or maintain our gross margins in the future.

In most cases our products compete directly with those offered by other manufacturers and distributors. If any of our competitors were to develop products or services that are more cost-effective or technically superior, demand for our product offerings could decrease.

Our gross margins are also dependent on the mix of products we sell and could be adversely affected by a continuation of our customers' shift to lower-priced products.

- *State sales tax laws may be changed which could result in ecommerce and direct mail retailers having to collect sales taxes in states where the current laws do not require us to do so. This could reduce demand for our products in such states and could result in us having substantial tax liabilities for past sales.*

Our United States subsidiaries collect and remit sales tax in states in which the subsidiaries have physical presence or in which we believe nexus exists which obligates us to collect sales tax. Other states may, from time to time, claim that we have state-related activities constituting a sufficient nexus to require such collection. Additionally, many other states seek to impose sales tax collection or reporting obligations on companies that sell goods to customers in their state, or directly to the state and its political subdivisions, even without a physical presence. Such efforts by states have increased recently, as states seek to raise revenues without increasing the tax burden on residents. We rely on United States Supreme Court decisions which hold that, without Congressional authority, a state may not enforce a sales tax collection obligation on a company that has no physical presence in the state and whose only contacts with the state are through the use of interstate commerce such as the mailing of catalogs into the state and the delivery of goods by mail or common carrier. We cannot predict whether the nature or level of contacts we have with a particular state will be deemed enough to require us to collect sales tax in that state nor can we be assured that Congress or individual states will not approve legislation authorizing states to impose tax collection or reporting obligations on all e-commerce and/or direct mail transactions. A successful assertion by one or more states that we should collect sales tax on the sale of merchandise could result in substantial tax liabilities related to past sales and would result in considerable administrative burdens and costs for us and may reduce demand for our products from customers in such states when we charge customers for such taxes.

- *Events such as acts of war or terrorism, natural disasters, changes in law, or large losses could adversely affect our insurance coverage and insurance expense, resulting in an adverse affect on our profitability and financial condition.*

We insure for certain property and casualty risks consisting primarily of physical loss to property, business interruptions resulting from property losses, worker's compensation, comprehensive general liability, and auto liability. Insurance coverage is obtained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. Although we believe that our insurance coverage is reasonable, significant events such as acts of war and terrorism, economic conditions, judicial decisions, legislation, natural disasters and large losses could materially affect our insurance obligations and future expense.

- *Changes in accounting standards or practices, as well as new accounting pronouncements or interpretations, may require us to account for and report our financial results in a different manner in the future, which may be less favorable than the manner used historically.*

A change in accounting standards or practices can have a significant effect on our reported results of operations. New accounting pronouncements and interpretations of existing accounting rules and practices have occurred and may occur in the future. Changes to existing rules may adversely affect our reported financial results.

## **Risks Related to Our Company**

- *We rely to a great extent on our information and telecommunications systems, and significant system failures or outages, or our failure to properly evaluate, upgrade or replace our systems, or the failure of our security/safety measures to protect our systems and websites, could have an adverse affect on our results of operations.*

We rely on a variety of information and telecommunications systems in our operations. Our success is dependent in large part on the accuracy and proper use of our information systems, including our telecommunications systems. To manage our growth, we continually evaluate the adequacy of our existing systems and procedures. We anticipate that we will regularly need to make capital expenditures to upgrade and modify our management information systems, including software and hardware, as we grow and the needs of our business change. In particular, our primary financial system is

being replaced currently. The occurrence of a significant system failure, electrical or telecommunications outages or our failure to expand or successfully implement new systems could have a material adverse effect on our results of operations.

Our information systems networks, including our websites, and applications could be adversely affected by viruses or worms and may be vulnerable to malicious acts such as hacking. The availability and efficiency of sales via our websites could also be adversely affected by “denial of service” attacks and other unfair competitive practices. Although we take preventive measures, these procedures may not be sufficient to avoid harm to our operations, which could have an adverse effect on our results of operations.

- *We rely on third party suppliers for most of our products and services. The loss or interruption of these relationships could impact our sales volumes, the levels of inventory we must carry, and/or result in sales delays and/or higher inventory costs from new suppliers. Coop advertising and other sales incentives provided by our suppliers could decrease in the future thereby increasing our expenses and adversely affecting our results of operations and cash flows.*

We purchase substantially all of our technology products from major distributors and directly from large manufacturers who may deliver those products directly to our customers. These relationships enable us to make available to our customers a wide selection of products without having to maintain large amounts of inventory. The termination or interruption of our relationships with any of these suppliers could materially adversely affect our business.

We purchase a number of our products from vendors outside of the United States. Difficulties encountered by one or several of these suppliers could halt or disrupt production and delay completion or cause the cancellation of our orders. Delays or interruptions in the transportation network could result in loss or delay of timely receipt of product required to fulfill customer orders. Our ability to find qualified vendors who meet our standards and supply products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced from outside the U.S. Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, outbreaks of pandemics and other factors relating to foreign trade are beyond our control. These and other issues affecting our vendors could materially adversely affect our revenue and gross profit.

Our PC products contain electronic components, subassemblies and software that in some cases are supplied through sole or limited source third-party suppliers, some of which are located outside of the U.S. Although we do not anticipate any problems procuring supplies in the near-term, there is no assurance that parts and supplies will be available in a timely manner and at reasonable prices. Any loss of, or interruption of, supply from key suppliers may require us to find new suppliers. This could result in production or development delays while new suppliers are located, which could substantially impair operating results. If the availability of these or other components used in the manufacture of our products was to decrease, or if the prices for these components were to increase significantly, operating costs and expenses could be adversely affected.

Many product suppliers provide us with co-op advertising support in exchange for featuring their products in our catalogs and on our internet sites. Certain suppliers provide us with other incentives such as rebates, reimbursements, payment discounts, price protection and other similar arrangements. These incentives are offset against cost of goods sold or selling, general and administrative expenses, as applicable. The level of co-op advertising support and other incentives received from suppliers may decline in the future, which could increase our cost of goods sold or selling, general and administrative expenses and have an adverse effect on results of operations and cash flows.

We currently offer a wide variety of products manufactured in Japan or utilizing Japanese components. In this regard, the recent and still unfolding events in Japan could adversely impact our ability to source products manufactured in Japan as well as products manufactured elsewhere utilizing Japanese components, and such events are expected to result in higher prices for available products. If we are unable to source such products, procure alternative product sources or pass along such price increases, our sales and margins could be materially adversely affected.

- *Goodwill and intangible assets may become impaired resulting in a charge to earnings.*

The acquisition of certain assets of CompUSA, CircuitCity and the purchase of the stock of WStore Europe SA resulted in the recording of significant intangible assets and or goodwill. We are required to test goodwill and intangible assets annually to determine if the carrying values of these assets are impaired or on a more frequent basis if indicators of impairment exist. If any of our goodwill or intangible assets are determined to be impaired we may be required to record a significant charge to earnings in the period during which the impairment is discovered.

- *Our substantial international operations are subject to risks such as fluctuations in currency rates (which can adversely impact foreign revenues and profits when translated to US Dollars), foreign regulatory requirements, political uncertainty and the management of our growing international operations.*

We operate internationally and as a result, we are subject to risks associated with doing business globally. Risks inherent to operating overseas include:

- Changes in a country's economic or political conditions
- Changes in foreign currency exchange rates
- Difficulties with staffing and managing international operations
- Unexpected changes in regulatory requirements

For example, we currently have operations located in numerous countries outside the United States, and non-U.S. sales (Europe, Canada and Puerto Rico) accounted for approximately 35.9% of our revenue during 2010. To the extent the U.S. dollar strengthens against foreign currencies, our foreign revenues and profits will be reduced when translated into U.S. dollars.

- *We are exposed to various inventory risks, such as being unable to profitably resell excess or obsolete inventory and/or the loss of product return rights and price protection from our vendors; such events could lower our gross margins or result in inventory write-downs that would reduce reported future earnings.*

Our inventory is subject to risk due to technological change and changes in market demand for particular products. If we fail to manage our inventory of older products we may have excess or obsolete inventory. We may have limited rights to return purchases to certain suppliers and we may not be able to obtain price protection on these items. The elimination of purchase return privileges and lack of availability of price protection could lower our gross margin or result in inventory write-downs.

We also take advantage of attractive product pricing by making opportunistic bulk inventory purchases; any resulting excess and/or obsolete inventory that we are not able to re-sell could have an adverse impact on our results of operations. Any inability to make such bulk inventory purchases may significantly impact our sales and profitability.

- *If we fail to observe certain restrictions and covenants under our credit facilities the lenders could refuse to waive such default, terminate the credit facility and demand immediate repayment, which would adversely affect our cash position and materially adversely affect our operations.*

Our United States/United Kingdom combined revolving credit agreement contains covenants restricting or limiting our ability to, among other things:

- incur additional debt
- create or permit liens on assets
- make capital expenditures or investments
- pay dividends

If we fail to comply with the covenants and other requirements set forth in the credit agreement, we would be in default and would need to negotiate a waiver agreement with the lenders. Failure to agree on such a waiver could result in the lenders terminating the credit agreement and demanding repayment of any outstanding borrowings, which could adversely affect our cash position and adversely affect the availability of financing to us, which could materially impact our operations.

- We depend on bank credit facilities to address our working capital and cash flow needs from time to time, and if we are unable to renew or replace these facilities, or borrowing capacity were to be reduced our liquidity and capital resources may be adversely affected.

We require significant levels of capital in our business to finance accounts receivable and inventory. We maintain credit facilities in the United States and in Europe to finance increases in our working capital if available cash is insufficient. The amount of credit available to us at any point in time may be adversely affected by the quality or value of the assets collateralizing these credit lines. In addition, in recent years global financial markets have experienced diminished liquidity and lending constraints. Our ability to obtain future and/or increased financing to satisfy our requirements as our business expands could be adversely affected by economic and market conditions, credit availability and lender perception of our Company and industry. However, we currently have no reason to believe that we will not be able to renew or replace our facilities when they reach maturity.

- *We have experienced rapid growth in retail stores in North America and to maintain their profitability we must effectively manage our growth and cost structure, such as inventory needs, point of sales systems, personnel and lease expense.*

We have 41 retail stores in North America at December 31, 2010. The Company needs to effectively manage its cost structure in order to maintain profitability including the additional inventory needs, retail point of sales IT systems, retail personnel and leased facilities. Future growth in retail will also be dependent on the ability to attract customers and build brand loyalty. The retail computer and consumer electronics business is highly competitive and has narrow gross margins. If we fail to manage our growth and cost structure while maintaining high levels of service and meeting competitive pressures adequately, our business plan may not be achieved and may lead to reduced profitability.

- *The failure to timely and satisfactorily process manufacturers' and our own rebate programs could negatively impact our customer satisfaction levels.*

Similar to other companies in the technology products industry, we advertise manufacturers' mail-in rebates on many products we sell and, in some cases, offer our own rebates. These rebates are processed through third party vendors and in house. If these rebates are not processed in a timely and satisfactory manner by either third party vendors or our in house operations, our reputation in the marketplace could be negatively impacted.

- *We may be unable to reduce prices in reaction to competitive pressures, or implement cost reductions or new product line expansion to address gross profit and operating margin pressures; failure to mitigate these pressures could adversely affect our operating results and financial condition.*

The computer and consumer electronics industry is highly price competitive and gross profit margins are narrow and variable. The Company's ability to further reduce prices in reaction to competitive pressure is limited. Additionally, gross margins and operating margins are affected by changes in factors such as vendor pricing, vendor rebate and or price protection programs, product return rights, and product mix. Pricing pressure continued to be prevalent in 2010 as a result of the significant decline in economic activity in the markets we serve and we expect this to continue during this or any period of sustained economic decline. We may not be able to mitigate these pricing pressures and resultant declines in sales and gross profit margin with cost reductions in other areas or expansion into new product lines. If we are unable to proportionately mitigate these conditions our operating results and financial condition may suffer.

- *We would be exposed to liability, including substantial fines and penalties and, in extreme cases, loss of our ability to accept credit cards, in the event our privacy and data security policies and procedures are inadequate to prevent security breaches of our consumer personal information and credit card information records.*

In processing our sales orders we often collect personal information and credit card information from our customers. The Company has privacy and data security policies in place which are designed to prevent security breaches, however, if a third party or a rogue employee or employees are able to bypass our network security or otherwise compromise our customers' personal information or credit card information, we could be subject to liability. This liability may include claims for identity theft, unauthorized purchases and claims alleging misrepresentation of our privacy and data security practices or other related claims. Further, the Company has not yet achieved full compliance with the Payment Card Industry ("PCI") security standards. Without full compliance, any breach involving the loss of credit card information may lead to PCI related fines of up to \$500,000. In the event of a severe breach credit card providers may prevent the accepting of credit cards. Any such liability related to the aforementioned risks could lead to reduced profitability and damage our brand(s) and or reputation.

- *Failure to protect the integrity, security and use of our customers' information could expose us to litigation and materially damage our standing with our customers*

The use of individually identifiable consumer data is regulated at the state, federal and international levels and we incur costs associated with information security – such as increased investment in technology and the costs of compliance with consumer protection laws. Additionally, our internet operations and website sales depends upon the secure transmission of confidential information over public networks, including the use of cashless payments. While we have taken significant steps to protect customer and confidential information, there can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography or other developments will prevent the compromise of our customer transaction processing capabilities and personal data. If any such compromise of our security were to occur, it could have a material adverse effect on our reputation, operating results and financial condition and could subject us to litigation.

- *Sales to individual customers expose us to credit card fraud, which impacts our operations. If we fail to adequately protect ourselves from credit card fraud, our operations could be adversely impacted.*

Failure to adequately control fraudulent credit card transactions could increase our expenses. Increased sales to individual consumers, which are more likely to be paid for using a credit card, increases our exposure to fraud. We employ technology solutions to help us detect the fraudulent use of credit card information. However, if we are unable to detect or control credit card fraud, we may suffer losses as a result of orders placed with fraudulent credit card data, which could adversely affect our business.

- *Our profitability can be adversely affected by increases in our income tax exposure due to, among other things, changes in the mix of U.S. and non-U.S. revenues and earnings, changes in tax rates or laws, changes in our effective tax rate due to changes in the mix of earnings among different countries and changes in valuation of our deferred tax assets and liabilities.*
- *Our business is dependent on certain key personnel.*

Our business depends largely on the efforts and abilities of certain key senior management. The loss of the services of one or more of such key personnel could have a material adverse affect on our business and financial results. We do not maintain key man insurance policies on any of our executive officers.

- *We are subject to litigation risk due to the nature of our business, which may have a material adverse effect on our results of operations and business.*

From time to time, we are involved in lawsuits or other legal proceedings arising in the ordinary course of our business. These may relate to, for example, patent, trademark or other intellectual property matters, employment law matters product liability, commercial disputes, consumer sales practices, or other matters. In addition, as a public company we could from time to time face claims relating to corporate or securities law matters. The defense and/or outcome of such lawsuits or proceedings could have a material adverse affect on our business.

Changes in our income tax expense due to changes in the mix of U.S. and non-U.S. revenues and profitability, changes in tax rates or exposure to additional income tax liabilities could affect our profitability. We are subject to income taxes in the United States and various foreign jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws or by material audit assessments. The carrying value of our deferred tax assets, which are primarily in the United States and the United Kingdom, is dependent on our ability to generate future taxable income in those jurisdictions. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions and a material assessment by a tax authority could affect our profitability.

#### **Item 1B. Unresolved Staff Comments.**

None.

#### **Item 2. Properties.**

We operate our business from numerous facilities in North America and Europe. These facilities include our headquarters location, administrative offices, telephone call centers, distribution centers, computer assembly and retail stores. Certain facilities handle multiple functions. Most of our facilities are leased; certain are owned by the Company.



## North America

As of December 31, 2010 we have seven distribution centers in North America which aggregate approximately 1.7 million square feet, all of which are leased. Our headquarters, administrative offices and call centers aggregate approximately 340,000 square feet, all of which are leased. Our computer assembly facility is approximately 300,000 square feet and is owned by the Company.

The following table summarizes the geographic location of our North America stores at the end of 2010:

<u>Location</u>	<u>Stores Open – 12/31/09</u>	<u>Store Openings</u>	<u>Stores Open – 12/31/10</u>
Delaware	1	1	2
Florida	18	-	18
Georgia	-	1	1
Illinois	3	1	4
North Carolina	2	-	2
Puerto Rico	1	-	1
Texas	4	3	7
Ontario, Canada	5	1	6
	34	7	41

All of our retail stores are leased. The retail stores average 22,500 square feet.

## Europe

As of December 31, 2010, we have seven distribution centers in Europe which aggregate approximately 295,000 square feet. Six of these, aggregating approximately 219,000 square feet, are leased; one distribution center of approximately 76,000 square feet is owned by the Company. Our administrative offices and call centers aggregate approximately 270,000 square feet, of which 192,000 square feet are leased and 78,000 square feet are owned by the Company.

Please refer to Note 10 to the Consolidated Financial Statements for additional information about leased properties.

### Item 3. Legal Proceedings.

#### Other Matters

The Company and its subsidiaries are involved in various lawsuits, claims, investigations and proceedings including commercial, employment, consumer, personal injury and health and safety law matters, which are being handled and defended in the ordinary course of business. In addition, the Company is subject to various assertions, claims, proceedings and requests for indemnification concerning intellectual property, including patent infringement suits involving technologies that are incorporated in a broad spectrum of products the Company sells. The Company is also audited by (or has initiated voluntary disclosure agreements with) numerous governmental agencies in various countries, including U.S. Federal and state authorities, concerning potential income tax, sales tax and unclaimed property liabilities. These matters are in various stages of investigation, negotiation and/or litigation, and are being vigorously defended. Although the Company does not expect, based on currently available information, that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial condition or results of operations, the ultimate outcome is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. Additionally, our Audit Committee, with the assistance of independent counsel, is conducting an independent investigation into certain anonymous whistleblower allegations concerning our Miami, Florida operations. While the investigation is not yet complete, it does not appear that there is any material impact on our reported consolidated financial statements. The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable and estimable.

### Item 4. Submission of Matters to a Vote of Security Holders.

None.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Systemax common stock is traded on the NYSE Euronext Exchange under the symbol "SYX." The following table sets forth the high and low closing sales price of our common stock as reported on the New York Stock Exchange for the periods indicated.

	<u>High</u>	<u>Low</u>
<u>2010</u>		
First Quarter	\$ 21.90	\$ 15.80
Second Quarter	23.85	15.07
Third Quarter	16.97	11.77
Fourth Quarter	14.31	12.09
<u>2009</u>		
First Quarter	\$ 14.19	\$ 9.12
Second Quarter	17.30	11.25
Third Quarter	14.29	11.34
Fourth Quarter	16.46	12.00

On January 1, 2011, the last reported sale price of our common stock on the New York Stock Exchange was \$14.10 per share. As of January 1, 2011, we had 207 shareholders of record.

On November 16, 2009, the Company's Board of Directors declared a special dividend of \$.75 per share payable on December 15, 2009 to shareholders of record on December 1, 2009. This special dividend is the third dividend we have paid since our initial public offering. Depending in part upon profitability, the strength of our balance sheet, our cash position and the need to retain cash for the development and expansion of our business, we may decide to declare another special dividend in the future.

In May 2008, the Company's Board of Directors authorized the repurchase of up to 2,000,000 shares of the Company's common stock. The Company repurchased a total 574,235 shares under this plan which expired in December 2009.

Information regarding securities authorized for issuance under equity compensation plans and a performance graph relating to the Company's common stock is set forth in the Company's Proxy Statement relating to the 2011 annual meeting of shareholders and is incorporated by reference herein.

## Item 6. Selected Financial Data.

The following selected financial information is qualified by reference to, and should be read in conjunction with, the Company's Consolidated Financial Statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this report. The selected statement of operations data for fiscal years 2010, 2009 and 2008 and the selected balance sheet data as of December 2010 and 2009 are derived from the audited consolidated financial statements which are included elsewhere in this report. The selected balance sheet data as of December 2008, 2007 and 2006 and the selected statement of operations data for fiscal years 2007 and 2006 are derived from the audited consolidated financial statements of the Company which are not included in this report.

	Years Ended December 31,				
	(In millions, except per share data)				
	2010	2009	2008	2007	2006
<b>Statement of Operations Data:</b>					
Net sales	\$ 3,590.0	\$ 3,166.0	\$ 3,033.0	\$ 2,779.9	\$ 2,345.2
Gross profit	\$ 495.9	\$ 460.2	\$ 458.6	\$ 426.3	\$ 342.9
Operating income	\$ 68.7	\$ 73.6	\$ 83.6	\$ 94.2	\$ 60.9
Net income	\$ 42.6	\$ 46.2	\$ 52.8	\$ 69.5	\$ 45.14
<b>Per Share Amounts:</b>					
Net income — diluted	\$ 1.13	\$ 1.24	\$ 1.40	\$ 1.84	\$ 1.22
Weighted average common shares — diluted	37.6	37.3	37.7	37.8	36.9
Cash dividends declared per common share	\$ —	\$ .75	\$ 1.00	\$ 1.00	\$ —
<b>Balance Sheet Data:</b>					
Working capital	\$ 300.9	\$ 250.1	\$ 253.1	\$ 274.4	\$ 229.4
Total assets	\$ 894.1	\$ 816.9	\$ 702.5	\$ 677.6	\$ 584.1
Long-term debt, excluding current portion	\$ 7.4	\$ 1.2	\$ 1.4	\$ .3	\$ .5
Shareholders' equity	\$ 409.3	\$ 364.7	\$ 334.0	\$ 335.8	\$ 289.5

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Overview

Systemax is primarily a direct marketer of brand name and private label products. Our operations are organized in two reportable business segments — Technology Products and Industrial Products.

Our Technology Products segment sells computers, computer supplies and consumer electronics which are marketed in North America, Puerto Rico and Europe. Most of these products are manufactured by other companies. Some products are manufactured for us to our own design and marketed on a private label basis. Technology products accounted for 93%, 94% and 92% of our net sales in 2010, 2009 and 2008, respectively.

Our Industrial Products segment sells a wide array of industrial products and supplies which are marketed in North America. Most of these products are manufactured by other companies. Some products are manufactured for us to our own design and marketed under the trademarks *Global*<sup>™</sup>, *GlobalIndustrial.com*<sup>™</sup> and *Nexel*<sup>™</sup>. Industrial products accounted for 7%, 6% and 8%, of our net sales in 2010, 2009 and 2008, respectively. In both of these product groups, we offer our customers a broad selection of products, prompt order fulfillment and extensive customer service.

We announced plans to exit the Software Solutions segment during the second quarter of 2009. (See Note 7 to the Consolidated Financial Statements included in Item 15 of this Form 10-K). Substantially all of the third party business activities of ProfitCenter Software have ended. Current and prior year results for Software Solutions are now included in "Corporate and other". See Note 11 to the Consolidated Financial Statements included in Item 15 of this Form 10-K for additional financial information about our business segments as well as information about our geographic operations.

The market for computer products and consumer electronics is subject to intense price competition and is characterized by narrow gross profit margins. The North American industrial products market is highly fragmented and we compete against companies utilizing multiple distribution channels. Distribution is working capital intensive, requiring us to incur significant costs associated with the warehousing of many products, including the costs of leasing warehouse space, maintaining inventory and inventory management systems, and employing personnel to perform the associated tasks. We supplement our on-hand product availability by maintaining relationships with major distributors and manufacturers, utilizing a combination of stocking and drop-shipment fulfillment.

The primary component of our operating expenses historically has been employee related costs, which includes items such as wages, commissions, bonuses, employee benefits and stock option expenses. We continually assess our operations to ensure that they are efficient, aligned with market conditions and responsive to customer needs.

In the discussion of our results of operations we refer to business to business sales, consumer channel sales and period to period constant currency comparisons. Business to business sales are sales made direct to other businesses through managed business relationships, outbound call centers and extranets. Sales in the Industrial Products segment and Corporate and other are considered to be business to business sales. Consumer channel sales are sales from retail stores, consumer websites, inbound call centers and television shopping channels. Constant currency refers to the adjustment of the results of our foreign operations to exclude the effects of period to period fluctuations in currency exchange rates.

### **Critical Accounting Policies and Estimates**

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Item 15 of this Form 10-K. Certain accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty, and as a result, actual results could differ from those estimates. These judgments are based on historical experience, observation of trends in the industry, information provided by customers and information available from other outside sources, as appropriate. Management believes that full consideration has been given to all relevant circumstances that we may be subject to, and the consolidated financial statements of the Company accurately reflect management's best estimate of the consolidated results of operations, financial position and cash flows of the Company for the years presented. We identify below a number of policies that entail significant judgments or estimates. Actual results may differ from these estimates under different conditions or assumptions.

*Revenue Recognition.* We recognize product sales when persuasive evidence of an order arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Generally, these criteria are met at the time of receipt by customers when title and risk of loss both are transferred. Sales are shown net of returns and allowances, rebates and sales incentives. Reserves for estimated returns and allowances are provided when sales are recorded, based on historical experience and current trends.

*Allowance for Doubtful Accounts Receivable.* We record an allowance for doubtful accounts to reflect our estimate of the collectability of our trade accounts receivable. We evaluate the collectability of accounts receivable based on a combination of factors, including an analysis of the age of customer accounts and our historical experience with accounts receivable write-offs. The analysis also includes the financial condition of a specific customer or industry, and general economic conditions. In circumstances where we are aware of customer charge-backs or a specific customer's inability to meet its financial obligations, a specific reserve for bad debts applicable to amounts due to reduce the net recognized receivable to the amount management reasonably believes will be collected is recorded. In those situations with ongoing discussions, the amount of bad debt recognized is based on the status of the discussions. While bad debt allowances have been within expectations and the provisions established, there can be no guarantee that we will continue to experience the same allowance rate we have in the past.

*Inventory valuation.* We value our inventories at the lower of cost or market, cost being determined on the first-in, first-out method except in Europe and retail locations where an average cost is used. Excess and obsolete or unmarketable merchandise are written down based on historical experience, assumptions about future product demand and market conditions. If market conditions are less favorable than projected or if technological developments result in accelerated obsolescence, additional write-downs may be required. While obsolescence and resultant markdowns have been within expectations, there can be no guarantee that we will continue to experience the same level of markdowns we have in the past.

*Goodwill and Intangible Assets.* We apply the provisions of relevant accounting guidance in our valuation of goodwill, trademarks, domain names, client lists and other intangible assets. Relevant accounting guidance requires that goodwill and indefinite lived intangibles be reviewed at least annually for impairment or more frequently if indicators of impairment exist. The amount of an impairment loss would be recognized as the excess of the asset's carrying value over its fair value.

*Long-lived Assets.* Management exercises judgment in evaluating our long-lived assets for impairment and in their depreciation and amortization methods and lives. We believe we will generate sufficient undiscounted cash flow to more than recover the investments made in property, plant and equipment. Our estimates of future cash flows involve assumptions concerning future operating performance and economic conditions. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations.

*Accruals.* Management exercises judgment in estimating various period end liabilities such as costs related to vendor drop shipments, sales returns and allowances, cooperative advertising and customer rebate reserves, and other vendor and employee related costs. While we believe that these estimates are reasonable, any significant deviation of actual costs as compared to these estimates could have a material impact on the Company's consolidated financial statements.

*Income Taxes.* We are subject to taxation from federal, state and foreign jurisdictions and the determination of our tax provision is complex and requires significant management judgment. Management judgment is also applied in the determination of deferred tax assets and liabilities and any valuation allowances that might be required in connection with our ability to realize deferred tax assets.

Since we conduct operations in numerous US states and internationally, our effective tax rate depends upon the geographic distribution of our pre-tax income or losses among locations with varying tax rates and rules. As the geographic mix of our pre-tax results among various tax jurisdictions changes, the effective tax rate may vary from period to period. We are also subject to periodic examination from domestic and foreign tax authorities regarding the amount of taxes due. These examinations include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. We have established, and periodically reevaluate, an estimated income tax reserve on our consolidated balance sheet to provide for the possibility of adverse outcomes in income tax proceedings. While management believes that we have identified all reasonably identifiable exposures and that the reserve we have established for identifiable exposures is appropriate under the circumstances, it is possible that additional exposures exist and that exposures may be settled at amounts different than the amounts reserved.

We recognize deferred tax assets and liabilities for the effect of temporary differences between the book and tax bases of recorded assets and liabilities and for tax loss carry forwards. The realization of net deferred tax assets is dependent upon our ability to generate sufficient future taxable income. Where it is more likely than not that some portion or the entire deferred tax asset will not be realized, we have provided a valuation allowance. If the realization of those deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made. In the event that actual results differ from these estimates or we adjust these estimates in future periods, an adjustment to the valuation allowance may be required, which could materially affect our consolidated financial position and results of operations.

*Reorganization and other charges.* We have taken restructuring actions in the past and could in the future commence further restructuring activities which result in recognition of restructuring charges if events make it necessary. These actions require management to make judgments and utilize significant estimates regarding the nature, timing and amounts of costs associated with the activity. When we incur a liability related to a restructuring action, we estimate and record all appropriate expenses, including expenses for severance and other employee separation costs, facility consolidation costs (including estimates of sublease income), lease cancellations, asset impairments and any other exit costs. Should the actual amounts differ from our estimates, the amount of the restructuring charges could be impacted, which could materially affect our consolidated financial position and results of operations.

### **Recently Adopted and Newly Issued Accounting Pronouncements**

Public companies in the United States are subject to the accounting and reporting requirements of various authorities, including the Financial Accounting Standards Board (“FASB”) and the Securities and Exchange Commission (“SEC”). These authorities issue numerous pronouncements, most of which are not applicable to the Company’s current or reasonably foreseeable operating structure. Below are the new authoritative pronouncements that management believes are relevant to the Company’s current operations.

In October 2009, the FASB issued revised guidance related to multiple-element arrangements which requires an entity to allocate arrangement consideration at the inception of an arrangement to all deliverables based on relative selling prices. This update eliminates the use of the residual method of allocation and requires the relative-selling-price method in all circumstances. This guidance is effective for fiscal years beginning on or after September 15, 2010. Companies may use either prospective application for revenue arrangements entered into, or materially modified, after the effective date or through retrospective application to all revenue arrangements for all periods presented. The Company does not believe this amended guidance will have a material impact on its consolidated financial statements.

In October 2009, the FASB issued amended guidance that affects how entities account for revenue arrangements that contain both hardware and software elements. Products that rely on software will be accounted for under the revised multiple-element arrangement revenue recognition guidance mentioned above rather than software revenue recognition guidance. The revised guidance must be adopted no later than fiscal years beginning on or after September 15, 2010. The transition method and period for the adoption of this guidance and the revisions to the multiple-element arrangements guidance noted above must be the same. The Company does not believe that this guidance will have a material impact on its consolidated financial statements.

### **Highlights from 2010**

The discussion of our results of operations and financial condition that follows will provide information that will assist in understanding our financial statements and information about how certain accounting principles and estimates affect the consolidated financial statements. This discussion should be read in conjunction with the consolidated financial statements included herein.

- Sales grew 13.4% to \$3.6 billion in 2010 over 2009.
- Seven new retail stores were opened.
- One-time charges were \$4.3 million, approximately \$0.07 per diluted share, after tax, for costs related primarily to the integration of the WStore acquisitions.
- Gross and operating margins negatively impacted by new warehouse costs and pricing pressures.
- Diluted earnings per share declined to \$1.13 from \$1.24 in 2009.
- Movements in exchange rates negatively impacted European sales by approximately \$52.9 million yet positively impacted Canadian sales by approximately \$19.9 million.
- 2010 and 2009 both included 52 weeks while 2008 included 53 weeks.

## Results of Operations

Key Performance Indicators (in thousands):

	Years Ended December 31,					
	2010	2009	% Change	2009	2008	% Change
<b>Net sales by segment:</b>						
Technology products	\$ 3,337,635	\$ 2,966,657	12.5%	\$ 2,966,657	\$ 2,794,948	6.1%
Industrial products	250,036	196,129	27.5%	196,129	237,027	(17.3)%
Corporate and other	2,318	3,209	(27.8)%	3,209	986	225.5%
Consolidated net sales	<u>\$ 3,589,989</u>	<u>\$ 3,165,995</u>	13.4%	<u>\$ 3,165,995</u>	<u>\$ 3,032,961</u>	4.4%
<b>Net sales by geography:</b>						
North America	\$ 2,543,014	\$ 2,317,475	9.7%	\$ 2,317,475	\$ 2,092,372	10.8%
Europe	1,046,975	848,520	23.4%	848,520	940,589	(9.8)%
Consolidated net sales	<u>\$ 3,589,989</u>	<u>\$ 3,165,995</u>	13.4%	<u>\$ 3,165,995</u>	<u>\$ 3,032,961</u>	4.4%
<b>Net sales by channel:</b>						
Consumer	\$ 1,819,803	\$ 1,764,514	3.1%	\$ 1,764,514	\$ 1,645,021	7.3%
Business to business	1,770,186	1,401,481	26.3%	1,401,481	1,387,940	1.0%
Consolidated net sales	<u>\$ 3,589,989</u>	<u>\$ 3,165,995</u>	13.4%	<u>\$ 3,165,995</u>	<u>3,032,961</u>	4.4%
<i>Consolidated gross margin</i>	13.8%	14.5%	(0.7)%	14.5%	15.1%	(0.6)%
Consolidated SG&A costs	\$ 427,202	\$ 386,619	10.5%	\$ 386,619	\$ 374,947	3.1%
<i>Consolidated SG&amp;A costs as % of sales</i>	11.9%	12.2%	(0.3)%	12.2%	12.4%	(0.2)%
<b>Operating income (loss) by segment:</b>						
Technology products	\$ 64,443	\$ 88,173	(26.9)%	\$ 88,173	\$ 97,747	(9.8)%
Industrial products	23,814	15,415	54.5%	15,415	24,621	(37.4)%
Corporate and other	(19,512)	(29,959)	(34.9)%	(29,959)	(38,756)	(22.7)%
Consolidated operating income	<u>\$ 68,745</u>	<u>\$ 73,629</u>	(6.6)%	<u>\$ 73,629</u>	<u>\$ 83,612</u>	(11.9)%
<b>Operating margin by segment:</b>						
<i>Technology products</i>	1.9%	3.0%	(1.1)%	3.0%	3.5%	(0.5)%
<i>Industrial products</i>	9.5%	7.9%	1.6%	7.9%	10.4%	(2.5)%
<i>Consolidated operating margin</i>	1.9%	2.3%	(0.4)%	2.3%	2.8%	(0.5)%
Effective income tax rate	35.6%	36.8%	(1.2)%	36.8%	36.9%	(0.1)%
Net income	\$ 42,551	\$ 46,185	(7.9)%	\$ 46,185	\$ 52,843	(12.6)%
<i>Net margin</i>	1.2%	1.5%	(0.3)%	1.5%	1.7%	(0.2)%

### NET SALES

#### SEGMENTS:

The Technology Products net sales increase is attributable to increased business to business and consumer channel sales worldwide as a result of improved global economic conditions, the expansion of the number of retail stores in the United States and Canada and the continuing sales contribution from our Circuit City and WStore Europe SA (“WStore”) acquisitions in 2009. On a constant currency basis, translating 2010 foreign results at 2009 exchange rates, and excluding the impact of the WStore acquisition on results, sales would have grown 7.9% or \$230.6 million.

Industrial Products sales, primarily business to business, increased 27.5% as compared to last year. The sales increase, the majority of which was driven by web sales, is attributable to improved economic conditions in North America in 2010 resulting in increased demand for the segment’s various products as well as an increase in the number of products offered on its websites and in its catalogs.

The Company announced plans to exit its Software solutions segment during the second quarter of 2009. Substantially all of the third party business activities of ProfitCenter Software have ended. Current and prior year results for this segment are now included in Corporate and other.

## *GEOGRAPHIES:*

North American sales benefited from increased retail and internet sales in the consumer channel, the result of opening seven retail stores in 2010, the Circuit City acquisition in 2009, and the increased sales from the Industrial Products segment. On a constant currency basis, North American sales would have grown 8.9%. The movement in the exchange rates positively impacted sales by approximately \$19.9 million.

European sales grew primarily from an increase in business to business sales. On a constant currency basis, European sales would have increased 29.6%. Movement in foreign exchange rates negatively impacted sales by approximately \$52.9 million.

## *CHANNEL SALES:*

Worldwide consumer-channel revenue, defined as revenues from retail stores, consumer websites, inbound call centers and shopping channels, grew primarily from volume increases in computers, including laptops and netbooks and consumer electronics, including televisions, reflecting improved global economic conditions. On a constant currency basis and excluding the WStore acquisition, worldwide consumer channel sales increased 2.4%.

Worldwide business to business channel sales grew primarily from an improvement in global economic conditions and the WStore acquisition in 2009. On a constant currency basis and excluding the WStore acquisition, worldwide business to business channel sales grew 18.1%.

## *2009 versus 2008:*

The growth in Technology products sales in 2009 compared to 2008 was driven by increased retail and internet sales, opening of five retail stores and the two acquisitions completed in 2009. The Circuit City acquisition and the WStore acquisition contributed \$67.3 million and \$63.8 million in sales, respectively. On a constant currency basis, translating 2009 foreign results at 2008 exchange rates, Technology product sales would have grown 10.5% or \$120.9 million. Adjusting for the impact of the number of weeks, Technology products sales increased 8.3% for the year. North American technology sales increased 14.3% in 2009 compared to 2008 benefiting from the opening of five retail stores and the Circuit City acquisition. On a constant currency basis, translating 2009 Other North America results at 2008 exchange rates, North American technology products sales would have grown to 15.2%. The movement in exchange rates negatively impacted sales by approximately \$17.3 million. Adjusting for the impact of the number of weeks, North American technology sales would have increased 16.7%. European technology products sales declined 9.8% to \$848.5 million as the result of slower business to business sales. Sales attributable to the WStore acquisition totaled \$63.8 million for the year. On a constant currency basis, European sales would have increased 1.2%. Movement in foreign exchange rates accounted for \$103.6 million of the sales decline in Europe for the year. Adjusting for the impact of the number of weeks, European sales would have declined 8.3%. As in the United States, sales slowed in the second half of 2008 in Europe and Canada for both consumer and business to business sales as the result of a slowdown in economic activity. Industrial products sales decline was attributable to the slowdown in business to business economic activity. The Company announced plans to exit its Software solutions segment during the second quarter of 2009. Substantially all of the third party business activities of ProfitCenter Software had ended as of December 31, 2009. Current and prior year results for this segment are now included in Corporate and other.

## *GROSS MARGIN*

Consolidated gross margin declined by 70 basis points in 2010 versus 2009 as the Company continued to lower certain product prices, offered freight discounts on the Company's North American websites and incurred start up costs related to the new distribution center in North America partially offset by improvement in gross margin in Europe and in Industrial Products. Gross margin is dependent on variables such as product mix, vendor price protection and other sales incentives, competition, pricing strategy, cooperative advertising funds required to be classified as a reduction to cost of sales, freight discounting and other variables, any or all of which may result in fluctuations in gross margin.

Consolidated gross margin declined by 60 basis points in 2009 versus 2008 as the Company lowered certain product prices and offered freight incentives in order to maintain and grow market share and to respond to competitive pricing pressures that started in 2008. Additionally, consolidated gross margin has been impacted by a shift in mix, as higher margin Industrial Products accounted for a smaller percentage of consolidated revenues than in previous years.

## *SELLING, GENERAL AND ADMINISTRATIVE EXPENSES/REORGANIZATION AND OTHER CHARGES*

Selling, general and administrative expenses increased in 2010 over 2009 primarily as a result of the increased sales volume, increases in facility and other operating costs related to opening additional retail stores and reorganization costs related to the WStore acquisition. Selling, general and administrative costs as a percent of sales declined 30 basis points as sales grew at a faster rate than

costs. Retail expansion in the United States and the inclusion of WStore results for a full year were primary drivers of the cost increases in 2010. Significant expense increases include approximately \$28.1 million of increased payroll, severance and related costs of which \$3.0 million related to reorganization charges related to the merger of the Company's Misco and WStore operations in Europe, other exit costs related to the merger of \$1.0 million, \$8.5 million of increased internet advertising expenses, \$5.6 million of increased rent and related expenses primarily related to retail stores, \$2.8 million of increased credit card fees, \$2.5 million of additional depreciation and amortization expense offset by approximately \$9.7 million of increased vendor consideration related to advertising expenses. Also included in 2009 is a gain of approximately \$1.8 million from a lawsuit that was settled favorably.

Selling, general and administrative expenses increased in 2009 over 2008 primarily as a result of the increase in sales volume, facility and other operating costs related to opening additional retail stores, costs related to winding down the Software Solutions segment and costs related to the WStore acquisition. Selling, general and administrative costs as a percent of sales declined 20 basis points as sales grew at a faster rate than costs. Significant expense increases include approximately \$7.8 million in charges for severance costs, litigation and contractual lease terminations of which approximately \$2.9 million related to winding down costs related to Software Solutions segment. Also included in 2009 is a gain of approximately \$1.8 million from a lawsuit that was settled favorably.

#### *OPERATING MARGIN*

Technology products operating margin decreased 100 basis points in 2010 versus 2009 due to price promotions, freight discounts offered during the year, start up costs related to the new distribution center in North America and reorganization costs related to the WStore integration which could not be fully offset by cost reduction initiatives. Technology products operating margin decreased 40 basis points in 2009 versus 2008 due to the global economic slowdown, price promotions, freight discounts and other cost increases which were not fully offset by cost reduction initiatives.

Industrial products operating margin increased by 20 basis points in 2010 versus 2009 due to improved economic conditions in North America, resulting in increased demand for the segment's various products and prudent cost management. Industrial products operating margin decreased 30 basis points in 2009 versus 2008 due to the slowdown in sales coupled with additional information technology staffing and other costs for the support of the new products added and the newly launched e-commerce website.

Corporate and other expenses operating costs decreased 30.4% during 2010 due to cost savings from winding down the ProfitCenter Software segment in 2009, reduced consulting and outside services for the software implementation which began in 2009 and significantly less legal and professional fees incurred in 2010 compared to 2009. Corporate and other expenses decreased 6.5% due to winding down the ProfitCenter Software segment in 2009 offset by expenses for new software implementation, acquisition related costs and additional staffing and overhead costs to support the growth in the Company's business.

#### *INTEREST EXPENSE*

Interest expense was \$1.8 million, \$1.4 million, and \$0.8 million in 2010, 2009 and 2008, respectively. The interest expense increase in 2010 compared to 2009 is primarily attributable to a full year of interest expense related to the debt assumed in the WStore acquisition, higher average outstanding balances under the Company's revolving credit agreement and interest on the Recovery Zone Bond entered into to finance the equipment for the new distribution center opened in 2010. Interest expense increased in 2009 over 2008 primarily as a result of the short term debt assumed in the WStore acquisition and interest on capital lease obligations. Interest and other income, net was \$0.8 million, \$1.0 million, and \$2.2 million in 2010, 2009 and 2008, respectively. The changes are a result of the Company's investable cash fluctuations due to cash sources and uses for operating, investing and financing activities.

#### *INCOME TAXES*

The Company's effective tax rate was 35.6% in 2010 as compared to 36.8% in 2009. The lower tax rate in 2010 is primarily attributed to reversals of valuation allowances of approximately \$0.5 million. If excluded, the Company's effective tax rate would have been 36.3%. The lower tax rate in 2010 is primarily attributed to a higher percentage of taxable income in countries that have lower corporate tax rates. The Company's effective tax rate will vary as the mix of pretax income from the countries the Company does business in varies.

The effective tax rate in 2009 was flat compared to 2008. Included in the 2009 rate was a reversal of tax reserves of approximately \$0.9 million, as a result of statute expirations. If excluded, the Company's effective tax rate would have been 38.4%. The higher tax rate in 2009 is primarily attributed to a higher percentage of taxable income in countries that have higher corporate tax rates.



## Seasonality

As the Company's consumer channel sales have grown significantly in the past few years, the fourth quarter has represented a greater portion of annual sales than historically. Net sales have historically been modestly weaker during the second and third quarters as a result of lower business activity during those months. The following table sets forth the net sales seasonality for each of the quarters since January 1, 2008 (*amounts in millions*).

	Quarter Ended			
	March 31	June 30	September 30	December 31
<u>2010</u>				
Net sales	\$ 915	\$ 806	\$ 863	\$ 1,006
Percentage of year's net sales	25.5%	22.5%	24.0%	28.0%
<u>2009</u>				
Net sales	\$ 752	\$ 722	\$ 754	\$ 938
Percentage of year's net sales	23.8%	22.8%	23.8%	29.6%
<u>2008</u>				
Net sales	\$ 725	\$ 756	\$ 739	\$ 813
Percentage of year's net sales	23.9%	24.9%	24.4%	26.8%

## Financial Condition, Liquidity and Capital Resources

Selected liquidity data (in thousands):

	December 31,		\$ Change
	2010	2009	
Cash	\$ 92,077	\$ 58,309	\$ 33,768
Accounts receivable, net	\$ 276,344	\$ 241,860	\$ 34,484
Inventories	\$ 370,375	\$ 365,725	\$ 4,650
Prepaid expenses and other current assets	\$ 19,308	\$ 20,066	\$ (758)
Accounts payable	\$ 377,030	\$ 348,029	\$ 29,001
Accrued expenses and other current liabilities	\$ 84,680	\$ 78,841	\$ 5,839
Current portion of long term debt	\$ 2,655	\$ 1,029	\$ 1,626
Short term debt	\$ -	\$ 14,168	\$ (14,168)
Long term debt	\$ 7,386	\$ 1,194	\$ 6,192
Working capital	\$ 300,872	\$ 250,519	\$ 50,353

Our primary liquidity needs are to support working capital requirements in our business, including working capital for new retail stores, to fund capital expenditures, including the second North American distribution center for the Technology Products segment, to fund the payment of interest on outstanding debt, to fund special dividends declared by our Board of Directors and for acquisitions. We rely principally upon operating cash flows to meet these needs. We believe that cash flows from operations and our availability under credit facilities will be sufficient to fund our working capital and other cash requirements for the next twelve months.

Our working capital increased in 2010 as the result of increased cash, accounts receivable and inventory balances as a result of growth in the business offset partially by an increase in accounts payable, accrued expenses and the current portion of long term debt. The increase in inventory is the result of increased retail store inventory in 2010 and the opening of a new distribution facility for Technology Products in the third quarter of 2010. Accounts receivable balances increased as the result of growth in open account business to business customers, the WStore acquisition and slight growth in accounts receivable days outstanding. Accounts payable and accrued expense balances increased due to inventory growth and the WStore acquisition. Accounts receivable days outstanding were at 25 in 2010 up from 23 in 2009. We expect that future accounts receivable and inventory balances will fluctuate with growth in net sales and the mix of our net sales between consumer and business customers.

Net cash provided by operating activities was \$64.9 million, \$4.8 million, and \$82.4 million during 2010, 2009, and 2008. The increase in cash provided by operating activities in 2010 over 2009 resulted from a \$5.0 million decrease in net income adjusted by other non-cash items, such as depreciation expense, and an increase of \$65.1 million in cash used for changes in our working capital accounts. The decrease in cash provided by operating activities in 2009 compared to 2008 resulted from a \$3.0 million decrease in net income adjusted by other non-cash items, such as depreciation expense, and a decrease of \$74.6 million in cash used for changes in working capital accounts.

Net cash used in investing activities was \$24.7 million during 2010, primarily for capital expenditures including expenditures for the second North American distribution center for the Technology Products segment.. Cash flows used in investing activities during 2009

totaled \$32.3 million primarily for the CircuitCity.com acquisition and for capital expenditures. Net cash used in investing activities was \$45.5 million during 2008, primarily for the CompUSA acquisition and for capital expenditures. Capital expenditures in 2010, 2009 and 2008 included upgrades and enhancements to our information and communications systems hardware and software and expenditures in retail stores in North America.

Net cash used in financing activities was \$4.7 million during 2010. We borrowed and repaid approximately \$261.7 million against our credit facilities. We repaid approximately \$13.2 million in short term debt and approximately \$1.5 million in capital lease obligations and received proceeds of approximately \$7.9 million from the Recovery Zone Facility Bond. Proceeds and excess tax benefits from stock option exercises provided approximately \$2.1 million of cash. Net cash used in financing activities was \$31.5 million during 2009. We repaid approximately \$3.6 million in short-term debt and approximately \$0.8 million in capital lease obligations, paid a special dividend of \$27.6 million, and repurchased Company stock of approximately \$1.2 million. Proceeds and excess tax benefits from stock option exercises provided approximately \$1.7 million of cash. Net cash used in financing activities was \$45.0 million during 2008, attributable to dividends paid of \$37.1 million, repayment of short term debt of \$3.9 million, repayment of \$0.7 million in capital lease obligations, repurchase of common stock of approximately \$5.8 million, offset by proceeds of stock option exercises and related excess tax benefits of \$2.5 million.

We have a \$125.0 million secured revolving credit agreement (which may be increased to \$200.0 million, subject to certain conditions). The facility has a five year term expiring in October 2015. The borrowings under the agreement are subject to borrowing base limitations of up to 85% of eligible accounts receivable and up to 40% of qualified inventories. Borrowings are secured by substantially all of the Company's assets, including accounts receivable, inventory and certain other assets, subject to limited exceptions, including the exclusion of certain foreign assets from the collateral. The amended and restated credit agreement contains certain operating, financial and other covenants, including limits on annual levels of capital expenditures, availability tests related to payments of dividends and stock repurchases and fixed charge coverage tests related to acquisitions. The revolving credit agreement requires that we maintain a minimum level of availability. If such availability is not maintained, we will then be required to maintain a fixed charge coverage ratio (as defined). As of December 31, 2010, the Company was in compliance with all of the covenants under the credit facility. Eligible collateral under the facility was \$125.0 million, total availability was \$115.9 million, outstanding letters of credit of were \$9.1 million and there were no outstanding advances.

The Company's Inmac WStore subsidiary maintains a secured revolving credit agreement with a financial institution in France which is secured by WStore Europe SA accounts receivable balances. Available amounts for borrowing under this facility includes all accounts receivable balances not over 60 days past due reduced by the greater of €4.0 million or 10% of the eligible accounts receivable. As of December 31, 2010, there was availability under this credit facility of approximately €15.6 million (\$20.9 million) and there were no outstanding borrowings. The credit facility duration is indefinite; however either party may cancel the agreement with ninety days notice. Under this agreement the Company is subject to certain non-financial covenants which it was in compliance with at December 31, 2010.

The Company's WStore UK subsidiary maintained a £2 million secured revolving credit agreement with a financial institution in the United Kingdom. The Company terminated this facility in July 2010.

On September 23, 2010, the Company (through a subsidiary) completed tax exempt Recovery Zone Facility Bond (the "Bonds") financing for up to \$15 million with the Development Authority of Jefferson, Georgia (the "Authority"). The Bonds were issued by the Authority and initially purchased by GE Government Finance Inc., and mature on October 1, 2018. Interest on the Bonds is calculated at the rate of 4.15% per annum and principal and interest payments are due monthly. The proceeds of the Bonds are used to finance or repay the costs of capital equipment purchased for the Company's distribution facility located in Jefferson, Georgia. The purchase and installation of all the equipment for the facility is expected to be completed by December 31, 2011. Pursuant to the transaction, the Company will transfer to the Authority for consideration consisting of the Bond proceeds ownership of the equipment to be used at the distribution facility and the Authority in turn will lease the equipment to the Company's subsidiary pursuant to a capital equipment lease expiring October 1, 2018. Under the capital equipment lease the Company has the right to acquire ownership of the equipment at any time for a purchase price sufficient to pay off all principal and interest on the Bonds, plus \$1.00.

Our earnings and cash flows are seasonal in nature, with the fourth quarter of the fiscal year generating higher earnings and cash flows than the other quarters. Levels of earnings and cash flows are dependent on factors such as consolidated gross margin and selling, general and administrative costs as a percentage of sales, product mix and relative levels of domestic and foreign sales. Unusual expense items, such as one time charges and settlements, may impact earnings and are separately disclosed. We expect that past performance may not be indicative of future performance due to the competitive nature of our Technology Products segment where the need to adjust prices to gain or hold market share is prevalent.

Macroeconomic conditions, such as business and consumer sentiment, may affect our revenues, cash flows or financial condition. However, we do not believe that there is a direct correlation between any specific macroeconomic indicator and our revenues, cash flows or financial condition. We are not currently interest rate sensitive, as we have significant cash balances and minimal debt.

We anticipate cash needs to support our growth and expansion plans, continued investment in upgrading and expanding our

technological capabilities and information technology infrastructure, opening of new retail stores, and in building out and expanding our distribution center facilities and inventory systems.

These expenses and capital expenditures will require significant levels of liquidity, which we believe can be adequately funded from our currently available cash resources. We have recently engaged in several opportunistic acquisitions, choosing to pay the purchase price in cash, and may do so in the future as favorable situations arise. However, a deep and prolonged period of reduced consumer and/or business to business spending could adversely impact our cash resources and force us to either forego future acquisition opportunities or to pay the purchase price in shares of our common stock, which could have a dilutive effect on our earnings per share. In addition we anticipate cash needs for implementation of the financial systems. We believe that our cash balances, future cash flows from operations and our availability under credit facilities will be sufficient to fund our working capital and other cash requirements for at least the next twelve months.

We maintain our cash and cash equivalents primarily in money market funds or their equivalent. As of December 31, 2010, all of our investments had maturities of less than three months. Accordingly, we do not believe that our investments have significant exposure to interest rate risk.

We are obligated under non-cancelable operating leases for the rental of most of our facilities and certain of our equipment which expire at various dates through 2026. We have sublease agreements for unused space we lease in Uniondale, New York. In the event the sub lessee is unable to fulfill its obligations, we would be responsible for rents due under the leases.

Following is a summary of our contractual obligations for future principal payments on our debt, minimum rental payments on our non-cancelable operating leases and minimum payments on our other purchase obligations as of December 2010 (in thousands):

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
<i>Contractual Obligations:</i>					
Capital lease obligations	\$ 19,845	\$ 3,343	\$ 7,958	\$ 6,703	\$ 1,841
Non-cancelable operating leases, net of subleases	220,370	26,069	70,291	57,916	66,094
Purchase & other obligations	34,977	27,619	5,166	2,192	—
Total contractual obligations	\$ 275,192	\$ 57,031	\$ 83,415	\$ 66,811	\$ 67,935

Our purchase and other obligations consist primarily of certain employment agreements and service agreements.

In addition to the contractual obligations noted above, we had \$9.1 million of standby letters of credit outstanding as of December 2010.

We are party to certain litigation, the outcome of which we believe, based on discussions with legal counsel, will not have a material adverse effect on our consolidated financial statements.

Tax contingencies are related to uncertain tax positions taken on income tax returns that may result in additional tax, interest and penalties being paid to taxing authorities. As of December 31, 2010, the Company had no uncertain tax positions.

#### **Off-Balance Sheet Arrangements**

We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into the financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

The Company currently leases its facility in Port Washington, NY from Addwin Realty Associates, an entity owned by Richard Leeds, Bruce Leeds, and Robert Leeds, senior executives, Directors and controlling shareholders of the Company.

#### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risks, which include changes in U.S. and international interest rates as well as changes in currency exchange rates (principally Pounds Sterling, Euros and Canadian Dollars) as measured against the U.S. Dollar and each other.

The translation of the financial statements of our operations located outside of the United States is impacted by movements in foreign currency exchange rates. Changes in currency exchange rates as measured against the U.S. dollar may positively or negatively affect income statement, balance sheet and cash flows as expressed in U.S. dollars. Sales would have fluctuated by approximately \$123.2 million and pretax income would have fluctuated by approximately \$2.1 million if average foreign exchange rates changed by 10% in 2010. We have limited involvement with derivative financial instruments and do not use them for trading purposes. We may enter into foreign currency options or forward exchange contracts aimed at limiting in part the impact of certain currency fluctuations, but as of December 31, 2010 we had no outstanding forward exchange contracts.

Our exposure to market risk for changes in interest rates relates primarily to our variable rate debt. Our variable rate debt consists of short-term borrowings under our credit facilities. As of December 31, 2010, there were no outstanding balances under our variable rate credit facility. A hypothetical change in average interest rates of one percentage point is not expected to have a material effect on our financial position, results of operations or cash flows over the next fiscal year.

#### **Item 8. Financial Statements and Supplementary Data.**

The information required by Item 8 of Part II is incorporated herein by reference to the Consolidated Financial Statements filed with this report; see Item 15 of Part IV.

#### **Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

#### **Item 9A. Controls and Procedures.**

##### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2010. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

##### **Inherent Limitations of Internal Controls over Financial Reporting**

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

Management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

##### **Management's Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its internal control over financial reporting based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's internal control over financial reporting was effective as of December 31, 2010.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2010, a copy of which is included in this report.

**Changes in Internal Control Over Financial Reporting**

There have been no changes in the Company's internal controls over financial reporting for the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information.**

None.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by Item 10 of Part III is hereby incorporated by reference to the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders. (the "Proxy Statement").

### **Item 11. Executive Compensation.**

The information required by Item 11 of Part III is hereby incorporated by reference to the Proxy Statement.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by item 12 of Part III is hereby incorporated by reference to the Proxy Statement.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by Item 10 of Part III is hereby incorporated by reference to the Proxy Statement.

### **Item 14. Principal Accounting Fees and Services.**

The information required by Item 14 of Part III is hereby incorporated by reference to the Proxy Statement.

## **PART IV**

### **Item 15. Exhibits and Financial Statement Schedules.**

	<u>Reference</u>
(a) 1. Consolidated Financial Statements of Systemax Inc.	
Reports of Ernst & Young LLP Independent Registered Public Accounting Firm	31
Consolidated Balance Sheets as of December 31, 2010 and 2009	33
Consolidated Statements of Operations for the years ended December 31, 2010, 2009 and 2008	34
Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008	35
Consolidated Statements of Shareholders' Equity for the Years ended December 31, 2010, 2009 and 2008	36
Notes to Consolidated Financial Statements	37

2. Financial Statement Schedules:

The following financial statement schedule is filed as part of this report and should be read together with our consolidated financial statements:

Schedule II — Valuation and Qualifying Accounts	50
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Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

**Item 15. Exhibits and Financial Statement Schedules.**

## 3. Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
3.1	Composite Certificate of Incorporation of Registrant, as amended (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2001)
3.2	Amended and Restated By-laws of Registrant (effective as of December 29, 2007, incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2007)
3.3	Amendment to the Bylaws of the Registrant (incorporated by reference to the Company's report on Form 8-K dated March 3, 2008)
4.1	Stockholders Agreement (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 1995)
10.1	Form of 1995 Long-Term Stock Incentive Plan* (incorporated by reference to the Company's registration statement on Form S-1) (Registration No. 333-1852)
10.2	Form of 1995 Stock Plan for Non-Employee Directors* (incorporated by reference to the Company's registration statement on Form S-1) (Registration No. 333-1852)
10.3	Form of 1999 Long-Term Stock Incentive Plan as amended* (incorporated by reference to the Company's report on Form 8-K dated May 20, 2003)
10.4	Form of 2006 Stock Incentive Plan for Non-Employee Directors* (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2006)
10.5	Form of 2005 Employee Stock Purchase Plan* (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2006)
10.6	Lease Agreement dated September 20, 1988 between the Company and Addwin Realty Associates (Port Washington facility) (incorporated by reference to the Company's registration statement on Form S-1) (Registration No. 33-92052)
10.7	First Amendment to Lease Agreement dated September 20, 1998 between the Company and Addwin Realty Associates (Port Washington facility) (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 1998)
10.8	Second Amendment to Lease Agreement dated September 20, 1988 between the Company and Addwin Realty Associates (Port Washington facility) (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2007)
10.9	Build-to-Suit Lease Agreement dated April, 1995 among the Company, American National Bank and Trust Company of Chicago (Trustee for the original landlord) and Walsh, Higgins & Company (Contractor) ("Naperville Illinois Facility Lease") (incorporated by reference to the Company's registration statement on Form S-1) (Registration No. 33-92052)
10.10	First Amendment, dated as of February 1, 2006, to the Naperville Illinois Facility Lease between the Company and Ambassador Drive LLC (current landlord) (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2005)
10.11	Lease Agreement dated September 17, 1998 between Tiger Direct, Inc. and Keystone Miami Property Holding Corp. (Miami facility) (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 1998)
10.12	First Amendment, dated as of September 5, 2003, to the Lease Agreement between Tiger Direct, Inc. and Keystone Miami Property Holding Corp. (Miami facility) (filed herewith)
10.13	Second Amendment, dated March 22, 2007, to the Lease Agreement between Tiger Direct, Inc. and Keystone Miami Property Holding Corp. (Miami facility) (filed herewith)
10.14	Third Amendment, dated as of June 26, 2009, to the Lease Agreement between Tiger Direct, Inc. and Mota Associates Limited Partnership (successor in interest to landlord Keystone Miami Property Holding Corp.) (Miami facility) (filed herewith)
10.15	Lease agreement, dated December 8, 2005, between the Company and Hamilton Business Center, LLC (Buford, Georgia facility) (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2005)
10.16	First Amendment, dated as of June 12, 2006, to the Lease Agreement between the Company and Hamilton Business Center, LLC (Buford, Georgia facility) (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2005)
10.17	Employment Agreement entered into on October 12, 2004 but effective as of June 1, 2004 between the Company and Gilbert Fiorentino* (incorporated by reference to the Company's report on Form 8-K dated October 12, 2004)
10.18	Amendment No. 1, dated December 30, 2009, to Employment Agreement between the Company and Gilbert Fiorentino* (incorporated by reference to the Company's report on Form 8-K dated

- December 30, 2009).
- 10.19 Restricted Stock Unit Agreement entered into on October 12, 2004 but effective as of June 1, 2004 between the Company and Gilbert Fiorentino\* (incorporated by reference to the Company's report on Form 8-K dated October 12, 2004).
- 10.20 Amendment No. 1, dated December 30, 2009, to the Restricted Stock Unit Agreement between the Company and Gilbert Fiorentino\* (incorporated by reference to the Company's report on Form 8-K dated December 30, 2009).
- 10.21 Employment Agreement, dated as of January 17, 2007, between the Company and Lawrence P. Reinhold\*(incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2006).
- 10.22 Amendment No.1, dated December 30, 2009, to the Employment Agreement between the Company and Lawrence P. Reinhold\* (incorporated by reference to the Company's report on Form 8-K dated December 30, 2009).
- 10.23 Amended and Restated Credit Agreement, dated as of October 27, 2005, between JPMorgan Chase Bank, N.A. and affiliates, General Electric Capital Corporation, and GMAC Commercial Finance LLC (as Lenders) with the Company and certain subsidiaries of the Company (as Borrowers) (the "Amended and Restated JP Morgan Chase Loan Agreement") (incorporated by reference to the Company's report on Form 8-K dated October 27, 2005)
- 10.24 Amendment No. 1, dated as of December 19, 2005, to the Amended and Restated JP Morgan Chase Loan Agreement (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2005)
- 10.25 Asset Purchase Agreement between the Company and CompUSA dated January 5, 2008 (incorporated by reference to the Company's annual report on Form 10-K for the year December 31, 2007)
- 10.26 Amendment to Asset Purchase Agreement between the Company and CompUSA dated February 14, 2008 (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2007)
- 10.27 Asset Purchase Agreement, as amended, dated as of April 5, 2009 and May 14, 2009, by and among Systemax Inc., as Buyer and Circuit City Stores West Coast, Inc. and Circuit City Stores, Inc. as Sellers (incorporated by reference to the Company's report on Form 8-K dated May 20, 2009).
- 10.28 Second Amended and Restated Credit Agreement, dated as of October 27, 2010, by and among Systemax Inc. and certain affiliates thereof and JPMorgan Chase Bank, N.A., as U.S. Administrative Agent, J.P. Morgan Europe Limited, as UK Administrative Agent, J.P. Morgan Securities, Inc. as Sole Bookrunner and Sole Lead Arranger, and the lenders from time to time party thereto (incorporated by reference to the Company's report on Form 8-K dated November 2, 2010).
- 10.29 Lease Agreement, dated as of September 1, 2010, among Development Authority of Jefferson, Georgia, GE Government Finance Inc. and SYX Distribution Inc. (incorporated by reference to the Company's report on Form 8-K dated September 24, 2010).
- 10.30 Corporate Guaranty and Negative Pledge Agreement, dated as of September 1, 2010, among Systemax Inc., Development Authority of Jefferson, Georgia and GE Government Finance Inc. (incorporated by reference to the Company's report on Form 8-K dated September 24, 2010).
- Escrow Agreement, dated as of September 1, 2010, among Marshall & Ilsley Trust Company, N.A. (as escrow agent), GE Government Finance Inc., Development Authority of Jefferson, Georgia and SYX Distribution Inc. (incorporated by reference to the Company's report on Form 8-K dated September 24, 2010).
- 10.31 Restricted Stock Unit Agreement, dated August 25, 2010, between Systemax, Inc. and Lawrence P. Reinhold\*(incorporated by reference to the Company's report on Form 8-K dated August 30, 2010).
- 10.32 Form of 2010 Long Term Incentive Plan\* (incorporated by reference to the Company's Definitive Proxy Statement filed April 29,2010).
- 14 Corporate Ethics Policy for Officers, Directors and Employees (revised as of March, 2010)
- 21 Subsidiaries of the Registrant (filed herewith)
- 23 Consent of Independent Registered Public Accounting Firm (filed herewith)
- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

\* Management contract or compensatory plan or arrangement



## SIGNATURES

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

SYSTEMAX INC.

By: /s/ RICHARD LEEDS

Richard Leeds  
Chairman and Chief Executive Officer

Date: March 17, 2011

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ RICHARD LEEDS</u> Richard Leeds	Chairman and Chief Executive Officer (Principal Executive Officer)	March 17, 2011
<u>/s/ BRUCE LEEDS</u> Bruce Leeds	Vice Chairman and Director	March 17, 2011
<u>/s/ ROBERT LEEDS</u> Robert Leeds	Vice Chairman and Director	March 17, 2011
<u>/s/ LAWRENCE P. REINHOLD</u> Lawrence P. Reinhold	Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)	March 17, 2011
<u>/s/ THOMAS AXMACHER</u> Thomas Axmacher	Vice President and Controller (Principal Accounting Officer)	March 17, 2011
<u>/s/ GILBERT FIORENTINO</u> Gilbert Fiorentino	Chief Executive, Technology Products Group and Director	March 17, 2011
<u>/s/ ROBERT D. ROSENTHAL</u> Robert D. Rosenthal	Director	March 17, 2011
<u>/s/ STACY DICK</u> Stacy Dick	Director	March 17, 2011
<u>/s/ MARIE ADLER-KRAVECAS</u> Marie Adler-Kravecás	Director	March 17, 2011

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Systemax Inc.

We have audited the accompanying consolidated balance sheets of Systemax Inc. (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Systemax Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Systemax Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 17, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
New York, New York  
March 17, 2011

The Board of Directors and Shareholders of Systemax Inc.

We have audited Systemax Inc.'s (the "Company") internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Systemax Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Systemax Inc. as of December 31, 2010 and 2009 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 of Systemax Inc. and our report dated March 17, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
New York, New York  
March 17, 2011

**SYSTEMAX INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except for share data)

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 92,077	\$ 58,309
Accounts receivable, net of allowances of \$17,881 and \$22,532	276,344	241,860
Inventories	370,375	365,725
Prepaid expenses and other current assets	19,308	20,066
Deferred income taxes	<u>7,133</u>	<u>6,626</u>
Total current assets	765,237	692,586
Property, plant and equipment, net	73,765	65,598
Deferred income taxes	2,313	8,564
Goodwill and intangibles	49,473	48,127
Other assets	<u>3,312</u>	<u>2,026</u>
Total assets	<u>\$ 894,100</u>	<u>\$ 816,901</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 377,030	\$ 348,029
Accrued expenses and other current liabilities	84,680	78,841
Short term debt	-	14,168
Current portion of long term debt	<u>2,655</u>	<u>1,029</u>
Total current liabilities	464,365	442,067
Long term debt	7,386	1,194
Other liabilities	<u>13,081</u>	<u>8,955</u>
Total liabilities	484,832	452,216
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$.01 per share, authorized 25 million shares; issued none		
Common stock, par value \$.01 per share, authorized 150 million shares; issued 38,862,019 and 38,862,019 shares; outstanding 36,754,700 and 36,450,767 shares	389	389
Additional paid-in capital	181,519	180,508
Treasury stock at cost — 2,107,319 and 2,411,252 shares	(24,947)	(28,545)
Retained earnings	253,526	210,975
Accumulated other comprehensive (loss) income	<u>(1,219)</u>	<u>1,358</u>
Total shareholders' equity	409,268	364,685
Total liabilities and shareholders' equity	<u>\$ 894,100</u>	<u>\$ 816,901</u>

See notes to consolidated financial statements.

**SYSTEMAX INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)

	<b>Year Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net sales	\$ 3,589,989	\$ 3,165,995	\$ 3,032,961
Cost of sales	3,094,042	2,705,747	2,574,402
Gross profit	495,947	460,248	458,559
Selling, general and administrative expenses	422,913	378,869	374,947
Reorganization and other charges	4,289	7,750	-
Operating income	68,745	73,629	83,612
Foreign currency exchange loss	1,750	187	1,300
Interest and other income, net	(840)	(1,015)	(2,229)
Interest expense	1,802	1,372	798
Income before income taxes	66,033	73,085	83,743
Provision for income taxes	23,482	26,900	30,900
Net income	<u>\$ 42,551</u>	<u>\$ 46,185</u>	<u>\$ 52,843</u>
Net income per common share:			
Basic	\$ 1.15	\$ 1.26	\$ 1.43
Diluted	\$ 1.13	\$ 1.24	\$ 1.40
Weighted average common and common equivalent shares:			
Basic	36,996	36,706	36,950
Diluted	37,601	37,343	37,705

See notes to consolidated financial statements.

**SYSTEMAX INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 42,551	\$ 46,185	\$ 52,843
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,480	12,353	10,387
Provision for deferred income taxes	4,572	5,704	6,197
Provision for returns and doubtful accounts	3,268	4,698	2,424
Compensation expense related to equity compensation plans	2,496	2,867	3,869
Excess tax benefit from exercises of stock options	(1,072)	(576)	(1,380)
Loss on dispositions and abandonment	83	154	89
Changes in operating assets and liabilities:			
Accounts receivable	(45,121)	(20,907)	6,010
Inventories	(5,913)	(69,618)	(48,924)
Prepaid expenses and other current assets	6,403	(5,490)	(16)
Income taxes payable/receivable	(3,315)	3,983	602
Accounts payable, accrued expenses and other current liabilities	46,451	25,414	50,318
Net cash provided by operating activities	<u>64,883</u>	<u>4,767</u>	<u>82,419</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Circuit City assets	-	(14,494)	-
Purchase of WStore Europe SA	-	(4,469)	-
Cash acquired WStore Europe SA	-	5,438	-
Purchase of certain CompUSA assets	-	-	(30,649)
Purchases of property, plant and equipment	(24,747)	(18,855)	(14,942)
Proceeds from disposals of property, plant and equipment	23	84	72
Net cash used in investing activities	<u>(24,724)</u>	<u>(32,296)</u>	<u>(45,519)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Borrowings on credit facility and short term debt	261,708	-	-
Repayments of borrowings on credit facility and short term debt	(274,858)	(3,614)	(3,880)
Proceeds from recovery zone bond	7,949	-	-
Repayments of capital lease obligations	(1,553)	(726)	(673)
Dividends paid	-	(27,611)	(37,126)
Proceeds from issuance of common stock	1,017	1,082	1,133
Purchase of treasury stock	-	(1,174)	(5,824)
Excess tax benefit from exercises of stock options	1,072	576	1,380
Net cash used in by financing activities	<u>(4,665)</u>	<u>(31,467)</u>	<u>(44,990)</u>
<b>EFFECTS OF EXCHANGE RATES ON CASH</b>	<u>(1,726)</u>	<u>1,338</u>	<u>(3,964)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	33,768	(57,658)	(12,054)
<b>CASH – BEGINNING OF YEAR</b>	<u>58,309</u>	<u>115,967</u>	<u>128,021</u>
<b>CASH – END OF YEAR</b>	<u>\$ 92,077</u>	<u>\$ 58,309</u>	<u>\$ 115,967</u>
<b>Supplemental disclosures:</b>			
Interest paid	\$ 1,346	\$ 994	\$ 536
Income taxes paid	\$ 21,749	\$ 13,909	\$ 29,514
<b>Supplemental disclosures of non-cash investing and financing activities:</b>			
Acquisitions of equipment through capital leases	\$ 9,371	\$ 765	\$ 2,152
See notes to consolidated financial statements.			

**SYSTEMAX INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands)

	<u>Common Stock</u>		Additional Paid-in Capital	Treasury Stock, At Cost	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensiv e Income (Loss)
	Number of Shares Outstanding	Amount					
Balances, January 1, 2008	36,092	383	173,381	(26,324)	176,684	11,711	
Stock-based compensation expense			3,794				
Issuance of restricted stock	104	1	283	46			
Exercise of stock options	503	5	184	944			
Repurchase of Treasury Stock	(475)			(5,824)			
Income tax benefit on stock-based compensation			1,599				
Cumulative effect of adoption of FIN 48							
Change in cumulative translation adjustment						(18,629)	(18,629)
Dividends paid					(37,126)		
Net income					52,843		52,843
Total comprehensive income							34,214
Balances, December 31, 2008	36,224	389	179,241	(31,158)	192,401	(6,918)	
Stock-based compensation expense			2,818				
Issuance of restricted stock	105		(754)	1,183			
Retired restricted stock			(10)	(15)			
Exercise of stock options	221		(1,537)	2,619			
Repurchase of treasury stock	(99)			(1,174)			
Income tax benefit on stock-based compensation			750				
Change in cumulative translation adjustment						8,276	8,276
Dividends paid					(27,611)		
Net income					46,185		46,185
Total comprehensive income							54,461
Balances, December 31, 2009	36,451	\$ 389	\$ 180,508	\$ (28,545)	\$ 210,975	\$ 1,358	
Stock-based compensation expense			2,377				
Issuance of restricted stock	106		(420)	1,259			
Restricted stock withheld for employee taxes	(36)		(367)	(432)			
Exercise of stock options	234		(1,754)	2,771			
Income tax benefit on stock-based compensation			1,175				
Change in cumulative translation adjustment						(2,577)	(2,577)
Net income					42,551		42,551
Total comprehensive income							\$ 39,974
Balances, December 31, 2010	36,755	\$ 389	\$ 181,519	\$ (24,947)	\$ 253,526	\$ (1,219)	

See notes to consolidated financial statements.

**SYSTEMAX INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Systemax Inc. and its wholly-owned subsidiaries (collectively, the “Company” or “Systemax”). All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications — Certain prior year amounts were reclassified to conform to current year presentation.

Use of Estimates In Financial Statements — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Fiscal Year — The Company’s fiscal year ends at midnight on the Saturday closest to December 31. Fiscal years will typically include 52 weeks, but every few years will include 53 weeks which was the case in 2008. For clarity of presentation herein, all fiscal years are referred to as if they ended on December 31. The fiscal year will be divided into four fiscal quarters that each end at midnight on a Saturday. Fiscal quarters will typically include 13 weeks, but the fourth quarter will include 14 weeks in a 53 week fiscal year. For clarity of presentation herein, all fiscal quarters are referred to as if they ended on the traditional calendar month.

Foreign Currency Translation — The Company has operations in numerous foreign countries. The functional currency of each foreign country is the local currency. The financial statements of the Company’s foreign entities are translated into U.S. dollars, the reporting currency, using year-end exchange rates for assets and liabilities, average exchange rates for the statement of operations items and historical rates for equity accounts. Translation gains or losses are recorded as a separate component of shareholders’ equity.

Cash — The Company considers amounts held in money market accounts and other short-term investments, including overnight bank deposits, with an original maturity date of three months or less to be cash. Cash overdrafts are classified in accounts payable.

Inventories — Inventories consist primarily of finished goods and are stated at the lower of cost or market value. Cost is determined by using the first-in, first-out method except in Europe and retail locations where an average cost is used. Allowances are maintained for obsolete, slow-moving and non-saleable inventory.

Property, Plant and Equipment — Property, plant and equipment is stated at cost. Furniture, fixtures and equipment, including equipment under capital leases, are depreciated using the straight-line or accelerated method over their estimated useful lives ranging from three to ten years. Buildings are depreciated using the straight-line method over estimated useful lives of 30 to 50 years. Leasehold improvements are amortized over the shorter of the useful lives or the term of the respective leases.

Evaluation of Long-lived Assets — Long-lived assets are evaluated for recoverability whenever events or changes in circumstances indicate that an asset may have been impaired. In evaluating an asset for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying amount over the fair market value of the asset is recognized.

Goodwill and intangible assets — Goodwill represents the excess of the cost of acquired assets over the fair value of assets acquired. The Company tests goodwill and intangibles for impairment annually or more frequently if indicators of impairment exist. The Company assesses the carrying value of its definite-lived intangible assets if circumstances indicate that those values may not be recoverable. In addition, goodwill is required to be tested for impairment after a portion of the goodwill is allocated to a business targeted for disposal. The Company’s identifiable intangible assets consist of trademarks, trade and domain names, technology, retail leases and customer lists (See Note 2).

Accruals — Management makes estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. These estimates are based upon various factors such as the number of units sold, historical and anticipated results and data received from third party vendors. Actual results could differ from these estimates. Our most significant estimates include those related to the costs of vendor drop shipments, sales returns and allowances, cooperative advertising and customer rebate reserves, and other vendor and employee related costs.



Income Taxes — Deferred tax assets and liabilities are recognized for the effect of temporary differences between the book and tax bases of recorded assets and liabilities and for tax loss carry forwards. The realization of net deferred tax assets is dependent upon our ability to generate sufficient future taxable income. Where it is more likely than not that some portion or the entire deferred tax asset will not be realized, we have provided a valuation allowance. If the realization of those deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made.

The Company provides for uncertain tax positions and related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. To the extent the Company prevails in matters for which a liability for an unrecognized tax benefit is established or is required to pay amounts in excess of the liability, the Company's effective tax rate in a given financial statement period may be affected.

Revenue Recognition and Accounts Receivable — The Company recognizes sales of products, including shipping revenue, when persuasive evidence of an order arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Generally, these criteria are met at the time the product is received by the customers when title and risk of loss have transferred. Allowances for estimated subsequent customer returns, rebates and sales incentives are provided when revenues are recorded. Costs incurred for the shipping and handling of its products are recorded as cost of sales. Revenue from extended warranty and support contracts on the Company's assembled PCs is deferred and recognized over the contract period. The Company evaluates collectability of accounts receivable based on numerous factors, including past transaction history with customers and their credit rating and provides a reserve for accounts that are potentially uncollectible. Trade receivables are generally written off once all collection efforts have been exhausted. Accounts receivable are shown in the consolidated balance sheets net of allowances for doubtful collections and subsequent customer returns.

Advertising Costs — Expenditures for internet, television, local radio and newspaper advertising are expensed in the period the advertising takes place. Catalog preparation, printing and postage expenditures are amortized over the period of catalog distribution during which the benefits are expected, generally one to six months.

Net advertising expenses were \$31.7 million, \$38.9 million and \$40.0 million during 2010, 2009 and 2008 respectively and are included in the accompanying consolidated statements of operations. The Company utilizes advertising programs to support vendors, including catalogs, internet and magazine advertising, and receives payments and credits from vendors, including consideration pursuant to volume incentive programs and cooperative marketing programs. The Company accounts for consideration from vendors as a reduction of cost of sales unless certain conditions are met showing that the funds are used for specific, incremental, identifiable costs, in which case the consideration is accounted for as a reduction in the related expense category, such as advertising expense. The amount of vendor consideration recorded as a reduction of selling, general and administrative expenses totaled \$65.6 million, \$55.9 million and \$60.4 million during 2010, 2009 and 2008 respectively.

Prepaid expenses as of December 2010 and 2009 include deferred advertising costs of \$2.1 million and \$2.8 million, respectively which are reflected as an expense during the periods benefited, typically the subsequent fiscal quarter.

Stock based compensation — The Company recognizes the fair value of share based compensation in the consolidated statement of operations over the requisite employee service period. Stock-based compensation expense includes an estimate for forfeitures and is recognized over the expected term of the award.

Net Income Per Common Share — Net income per common share - basic was calculated based upon the weighted average number of common shares outstanding during the respective periods presented using the two class method of computing earnings per share. The two class method was used as the Company has outstanding restricted stock with rights to dividend participation for unvested shares. Net income per common share - diluted was calculated based upon the weighted average number of common shares outstanding and included the equivalent shares for dilutive options outstanding during the respective periods, including unvested options. The dilutive effect of outstanding options issued by the Company is reflected in net income per share - diluted using the treasury stock method. Under the treasury stock method, options will only have a dilutive effect when the average market price of common stock during the period exceeds the exercise price of the options. The weighted average number of stock options outstanding included in the computation of diluted earnings per share was 0.6 million, 0.6 million and 0.7 million for the years ended December 31, 2010, 2009 and 2008, respectively. The weighted average number of restricted stock awards included in the computation of diluted earnings per share was 0.2 million for the years December 31, 2010, 2009 and 2008. The weighted average number of stock options outstanding excluded from the computation of diluted earnings per share was 0.7 million, 0.7 million and 0.6 million for the years ended December 31, 2010, 2009 and 2008, respectively, due to their antidilutive effect.

Comprehensive Income — Comprehensive income consists of net income and foreign currency translation adjustments and is included in the consolidated statements of shareholders' equity. Comprehensive income was \$40.0 million, \$54.5 million and \$34.2 million in 2010, 2009 and 2008, respectively.

Employee Benefit Plans - The Company's U.S. subsidiaries participate in a defined contribution 401(k) plan covering substantially all U.S. employees. Employees may invest 1% or more of their eligible compensation, limited to maximum amounts as determined by the Internal Revenue Service. The Company provides a matching contribution to the plan, determined as a percentage of the employees' contributions. Aggregate expense to the Company for contributions to such plans was approximately \$0.9 million, \$0.9 million and \$0.7 million in 2010, 2009 and 2008, respectively.

Fair Value of Financial Instruments - Financial instruments consist primarily of investments in cash, trade accounts receivable debt and accounts payable. The Company estimates the fair value of financial instruments based on interest rates available to the Company and by comparison to quoted market prices. At December 31, 2010 and 2009, the carrying amounts of cash, accounts receivable and accounts payable are considered to be representative of their respective fair values due to their short-term nature. The Company's debt is considered to be representative of its fair value because of its variable interest rate.

Concentration of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, and accounts receivable. The Company's excess cash balances are invested with money center banks. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and their geographic dispersion comprising the Company's customer base. The Company also performs on-going credit evaluations and maintains allowances for potential losses as warranted.

#### Recent Accounting Pronouncements

Public companies in the United States are subject to the accounting and reporting requirements of various authorities, including the Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission ("SEC"). These authorities issue numerous pronouncements, most of which are not applicable to the Company's current or reasonably foreseeable operating structure. Below are the new authoritative pronouncements that management believes are relevant to Company's current operations.

In October 2009, the FASB issued revised guidance related to multiple-element arrangements which requires an entity to allocate arrangement consideration at the inception of an arrangement to all deliverables based on relative selling prices. This update eliminates the use of the residual method of allocation and requires the relative-selling-price method in all circumstances. This guidance is effective for fiscal years beginning on or after September 15, 2010. Companies may use either prospective application for revenue arrangements entered into, or materially modified, after the effective date or through retrospective application to all revenue arrangements for all periods presented. The Company does not believe this amended guidance will have a material impact on its consolidated financial statements.

In October 2009, the FASB issued amended guidance that affects how entities account for revenue arrangements that contain both hardware and software elements. Products that rely on software will be accounted for under the revised multiple-element arrangement revenue recognition guidance mentioned above rather than software revenue recognition guidance. The revised guidance must be adopted no later than fiscal years beginning on or after September 15, 2010. The transition method and period for the adoption of this guidance and the revisions to the multiple-element arrangements guidance noted above must be the same. The Company does not believe that this guidance will have a material impact on its consolidated financial statements.

## 2. GOODWILL AND INTANGIBLES

### *Goodwill:*

The following table provides information related to the carrying value of goodwill (in thousands):

	<u>2010</u>
Balance January 1	\$ 930
Deferred tax adjustment	1,350
Adjustments to finalize purchase price allocation	1,000
Balance December 31	<u>\$ 3,280</u>

### *Indefinite-lived intangible assets:*

The following table summarizes information related to indefinite-lived intangible assets (in thousands):

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
	<u>Gross Carrying Amount</u>	<u>Gross Carrying Amount</u>
Trademarks	\$ 24,082	\$ 23,226
Domain names	14,739	14,739
Total	<u>\$ 38,821</u>	<u>\$ 37,965</u>

### *Definite-lived intangible assets:*

The following table summarizes information related to definite-lived intangible assets (in thousands):

	<u>December 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Retail store leases	\$ 3,410	\$ 748	\$ 3,410	\$ 484
Client lists	5,938	1,996	6,368	843
Technology	1,000	232	806	\$ 25
Total	<u>\$ 10,348</u>	<u>\$ 2,976</u>	<u>\$ 10,584</u>	<u>\$ 1,352</u>

The aggregate amortization expense for these intangibles was approximately \$1.6 million in 2010. The estimated amortization for future years ending December 31 is as follows (in thousands):

2011	\$ 1,654
2012	1,643
2013	1,639
2014 and after	2,436
Total	<u>\$ 7,372</u>

### 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consist of the following (in thousands):

	December 31,	
	2010	2009
Land and buildings	\$ 27,844	\$ 28,458
Furniture and fixtures, office, computer and other equipment and software	130,022	123,876
Leasehold improvements	23,944	19,212
	<u>181,810</u>	<u>171,546</u>
Less accumulated depreciation and amortization	108,045	105,948
Property, plant and equipment, net	<u>\$ 73,765</u>	<u>\$ 65,598</u>

Included in property, plant and equipment are assets under capital leases, as follows (in thousands):

	2010	2009
	Furniture and fixtures, office, computer and other equipment	\$ 14,896
Less: Accumulated amortization	4,994	3,510
	<u>\$ 9,902</u>	<u>\$ 2,015</u>

Depreciation charged to operations for property, plant and equipment including capital leases in 2010, 2009, and 2008 was \$12.9 million, \$11.2 million and \$10.1 million, respectively.

### 4. CREDIT FACILITIES

The Company maintains a \$125.0 million (which may be increased to \$200 million, subject to certain conditions) secured revolving credit agreement with a group of financial institutions which provides for borrowings in the United States and United Kingdom. Availability is subject to a borrowing base formula that takes into account eligible receivables and eligible inventory. Borrowings are secured by substantially all of the Company's assets, including accounts receivable, inventory and certain other assets, subject to limited exceptions, including the exclusion of certain foreign assets from the collateral. The amended and restated credit agreement contains certain operating, financial and other covenants, including limits on annual levels of capital expenditures, availability tests related to payments of dividends and stock repurchases and fixed charge coverage tests related to acquisitions. The credit facility has a five year term and expires in October 2015. The borrowings under the agreement are subject to borrowing base limitations of up to 85% of eligible accounts receivable and up to 40% of qualified inventories. The interest on outstanding advances is payable monthly, at the Company's option, at the prime rate (3.25% at December 31, 2010) or the overnight daily LIBOR rate (0.25% at December 31, 2010) plus 1.00% to 2.50%. The facility also calls for a commitment fee payable quarterly in arrears of 0.375% of the average daily unused portions of the facility. The revolving credit agreement requires that a minimum level of availability be maintained. If such availability is not maintained, the Company will be required to maintain a fixed charge coverage ratio (as defined). The agreement contains certain other covenants, including restrictions on capital expenditure, acquisitions and payments of dividends. We were in compliance with all of the covenants as of December 31, 2010. As of December 31, 2010, eligible collateral under the agreement was \$125.0 million and total availability was \$115.9 million. There were outstanding letters of credit of \$9.1 million and there were no outstanding advances.

The Company's Inmac WStore subsidiary maintains a secured revolving credit agreement with a financial institution in France which is secured by WStore Europe SA accounts receivable balances. Available amounts for borrowing under this facility includes all accounts receivable balances not over 60 days past due reduced by the greater of €4.0 million or 10% of the eligible accounts receivable. As of December 31, 2010 there was availability under this credit facility of approximately €15.6 million (\$20.9 million) and there were no outstanding borrowings. The credit facility duration is indefinite; however either party may cancel the agreement with ninety days notice. Under this agreement the Company is subject to certain non-financial covenants which it was in compliance with at December 31, 2010.

The Company's WStore UK subsidiary maintained a £2 million secured revolving credit agreement with a financial institution in the United Kingdom. The Company terminated this facility in July 2010.

The weighted average interest rate on short-term borrowings was 3.5%, 3.3%, and 5.1% in 2010, 2009 and 2008, respectively.

## 5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following (in thousands):

	December 31,	
	2010	2009
Payroll and employee benefits	\$ 30,166	\$ 27,715
Freight	17,142	9,171
Advertising	8,033	8,030
Sales and VAT tax payable	8,613	7,989
Other	20,726	25,936
	<u>\$ 84,680</u>	<u>\$ 78,841</u>

## 6. LONG-TERM DEBT

On September 23, 2010, the Company (through a subsidiary) completed tax exempt Recovery Zone Facility Bond (the "Bonds") financing for up to \$15 million with the Development Authority of Jefferson, Georgia (the "Authority"). The Bonds were issued by the Authority and initially purchased by GE Government Finance Inc., and mature on October 1, 2018. Interest on the Bonds is calculated at the rate of 4.15% per annum and principal and interest payments are due monthly. The proceeds of the Bonds are used to finance or repay the costs of capital equipment purchased for the Company's distribution facility located in Jefferson, Georgia. The purchase and installation of all the equipment for the facility is expected to be completed by December 31, 2011. Pursuant to the transaction, the Company will transfer to the Authority for consideration consisting of the Bond proceeds ownership of the equipment to be used at the distribution facility and the Authority in turn will lease the equipment to the Company's subsidiary pursuant to a capital equipment lease expiring October 1, 2018. Under the capital equipment lease the Company has the right to acquire ownership of the equipment at any time for a purchase price sufficient to pay off all principal and interest on the Bonds, plus \$1.00. As a result of the capital lease treatment for this transaction, the leased equipment is included in property, plant and equipment in the Company's consolidated balance sheet. As of December 31, 2010 the Company had \$7.9 million outstanding against this facility.

Long-term debt consists of (in thousands):

	December 31,	
	2010	2009
Capitalized equipment lease obligations	\$ 10,041	\$ 2,223
Less: current portion	2,655	1,029
	<u>\$ 7,386</u>	<u>\$ 1,194</u>

The aggregate maturities of long-term debt outstanding at December 31, 2010 are as follows (in thousands):

	2011	2012	2013	2014	2015
Maturities	\$ 2,655	\$ 2,329	\$ 2,249	\$ 1,967	\$ 841

## 7. BUSINESS EXIT AND REORGANIZATION COSTS

The Company announced plans to exit its Software Solutions segment, in the second quarter of 2009, as the result of economic conditions and difficulties in marketing the segment's products successfully. Total charges incurred for the years ended December 31, 2010 and December 31, 2009 were \$0.3 million and \$2.9 million, respectively. These costs were recorded in selling, general and administrative expenses within the Corporate and Other segment in the accompanying condensed consolidated statement of operations.

The following table reconciles the associated liabilities incurred (in thousands):

	Severance and Personnel Costs	Contract Termination Costs	Other Exit Costs	Total
Balance January 1, 2009 .....	\$ -	\$ -	\$ -	\$ -
Charged to expense .....	1,208	1,644	80	2,932
Paid or otherwise settled .....	(1,208)	(697)	(80)	(1,985)
Balance December 31, 2009 .....	-	947	-	947
Charged to expense .....	-	284	-	284
Paid or otherwise settled .....	-	(918)	-	(918)
Balance December 31, 2010	<u>\$ -</u>	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ 313</u>

## Reorganization

In 2010 the Company's WStore France subsidiary incurred integration related charges of approximately \$3.7 million for severances and other costs related to the merger of its Misco and WStore operations. These costs were recorded in selling, general and administrative expenses within the Technology Products segment. Other costs totaling \$0.3 million were recorded in selling, general and administrative expenses within the Corporate and other segment. The Company anticipates incurring minimal additional costs related to this integration.

The following table details the associated liabilities incurred related to this plan (in thousands):

	Severance and Personnel Costs	Other Exit Costs	Total
Balance January 1, 2010.....	\$ -	\$ -	\$ -
Charged to expense.....	2,975	1,030	4,005
Paid or otherwise settled.....	(1,923)	(946)	(2,869)
Balance December 31, 2010.....	<u>\$ 1,052</u>	<u>\$ 84</u>	<u>\$ 1,136</u>

## 8. SHAREHOLDERS' EQUITY

### *Stock based compensation plans*

The Company currently has five equity compensation plans which reserve shares of common stock for issuance to key employees, directors, consultants and advisors to the Company. The following is a description of these plans:

*The 1995 Long-term Stock Incentive Plan* - This plan, adopted in 1995, allowed the Company to issue qualified, non-qualified and deferred compensation stock options, stock appreciation rights, restricted stock and restricted unit grants, performance unit grants and other stock based awards authorized by the Compensation Committee of the Board of Directors. Options issued under this plan expire ten years after the options are granted. The ability to grant new awards under this plan ended on December 31, 2005 but awards granted prior to such date continue until their expiration. A total of 510,326 options were outstanding under this plan as of December 31, 2010.

*The 1995 Stock Option Plan for Non-Employee Directors* - This plan, adopted in 1995, provides for automatic awards of non-qualified options to directors of the Company who are not employees of the Company or its affiliates. All options granted under this plan will have a ten year term from grant date and are immediately exercisable. A maximum of 100,000 shares may be granted for awards under this plan. The ability to grant new awards under this plan ended on October 12, 2006 but awards granted prior to such date continue until their expiration. A total of 28,000 options were outstanding under this plan as of December 31, 2010.

*The 1999 Long-term Stock Incentive Plan, as amended ("1999 Plan")* - This plan was adopted on October 25, 1999 with substantially the same terms and provisions as the 1995 Long-term Stock Incentive Plan. The Company increased the number of shares that may be granted under this plan to a maximum of 7,500,000 from 5,000,000 shares. The maximum number of shares granted per type of award to any individual may not exceed 1,500,000 in any calendar year and 3,000,000 in total. The ability to grant new awards under this plan ended on December 31, 2009 but awards granted prior to such date continue until their expiration. Restricted stock grants and common stock awards reduce stock options otherwise available for future grant. A total of 1,307,372 options and 300,000 restricted stock units were outstanding under this plan as of December 31, 2010.

*The 2006 Stock Incentive Plan For Non-Employee Directors*— This plan, adopted by the Company's stockholders on October 11, 2006, replaces the 1995 Stock Option Plan for Non-Employee Directors. The Company adopted the plan so that it could offer directors of the Company who are not employees of the Company or of any entity in which the Company has more than a 50% equity interest ("independent directors") an opportunity to participate in the ownership of the Company by receiving options to purchase shares of common stock at a price equal to the fair market value at the date of grant of the option and restricted stock awards. Awards for a maximum of 200,000 shares may be granted under this plan. A total of 15,000 options were outstanding under this plan as of December 31, 2010.

*The 2010 Long-term Stock Incentive Plan ("2010 Plan")* - This plan was adopted on April 23, 2010 with substantially the same terms and provisions as the 1999 Long-term Stock Incentive Plan. The maximum number of shares granted per type of award to any individual may not exceed 1,500,000 in any calendar year. Restricted stock grants and common stock awards reduce stock options otherwise available for future grant. Awards for a maximum of 7,500,000 shares may be granted under this plan. A total of 40,000 options and 175,000 restricted stock units were outstanding under this plan as of December 31, 2010.

Shares issued under our share-based compensation plans are usually issued from shares of our common stock held in the treasury.

The fair value of employee share options is recognized in expense over the vesting period of the options, using the graded attribution method. The fair value of employee share options is determined on the date of grant using the Black-Scholes option pricing model. The Company has used historical volatility in its estimate of expected volatility. The expected life represents the period of time (in years) for which the options granted are expected to be outstanding. The risk-free interest rate is based on the U.S. Treasury yield curve.

Compensation cost related to non-qualified stock options recognized in operating results (selling, general and administrative expense) for 2010, 2009 and 2008 was \$1.5 million, \$2.2 million, and \$3.2 million respectively. The related future income tax benefits recognized for 2010, 2009 and 2008 were \$0.6 million, \$0.9 million and \$1.2 million, respectively.

#### Stock options

The following table presents the weighted-average assumptions used to estimate the fair value of options granted in 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expected annual dividend yield	0%	0%	0%
Risk-free interest rate	1.37%	2.64%	3.17%
Expected volatility	61.1%	66.9%	63.8%
Expected life in years	4.8	7.7	6.3

The following table summarizes information concerning outstanding and exercisable options:

	<u>Weighted Average</u>					
	<u>2010</u>		<u>2009</u>		<u>2008</u>	
	<u>Shares</u>	<u>Exercise Price</u>	<u>Shares</u>	<u>Exercise Price</u>	<u>Shares</u>	<u>Exercise Price</u>
Outstanding at beginning of year	2,102,459	\$ 9.87	2,202,584	\$ 9.23	2,655,937	\$ 7.95
Granted	40,000	\$ 14.18	164,000	\$ 13.46	110,000	\$ 12.90
Exercised	(234,011)	\$ 4.34	(221,225)	\$ 4.89	(503,078)	\$ 2.25
Cancelled or expired	(7,750)	\$ 19.39	(42,900)	\$ 16.46	(60,275)	\$ 17.77
Outstanding at end of year	<u>1,900,698</u>	<u>\$ 10.60</u>	<u>2,102,459</u>	<u>\$ 9.87</u>	<u>2,202,584</u>	<u>\$ 9.23</u>
Options exercisable at year end	1,559,872		1,558,229		1,560,804	
Weighted average fair value per option granted during the year	\$ 7.24		\$ 9.53		\$ 7.94	

The total intrinsic value of options exercised was \$3.2 million, \$2.0 million and \$4.1 million respectively, for 2010, 2009 and 2008.

The following table summarizes information about options vested and exercisable or nonvested that are expected to vest (nonvested outstanding less expected forfeitures) at December 31, 2010:

<u>Range of Exercise Prices</u>	<u>Number Exercisable</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
\$ 1.76 to \$ 5.00	313,441	\$ 2.35	1.68	\$ 3,682
\$ 5.01 to \$ 15.00	981,836	\$ 8.10	5.41	5,893
\$ 15.01 to \$ 20.00	476,341	\$ 18.78	6.38	-
\$ 20.01 to \$ 20.15	100,000	\$ 20.15	6.05	—
\$ 1.76 to \$ 20.15	<u>1,871,618</u>	<u>\$ 10.50</u>	<u>5.06</u>	<u>\$ 9,575</u>

The aggregate intrinsic value in the tables above represents the total pretax intrinsic value (the difference between the closing stock price on the last day of trading in 2010 and the exercise price) that would have been received by the option holders had all options been exercised on December 31, 2010. This value will change based on the fair market value of the Company's common stock.

The following table reflects the activity for all unvested stock options during 2010:

	<u>Shares</u>	<u>Weighted Average Grant- Date Fair Value</u>
Unvested at January 1, 2010	544,230	\$ 10.98
Granted	40,000	\$ 7.24
Vested	(237,279)	\$ 11.02
Forfeited	(6,125)	\$ 13.21
Unvested at December 31, 2010	<u>340,826</u>	<u>\$ 10.47</u>

At December 31, 2010, there was approximately \$1.3 million of unrecognized compensation costs related to unvested stock options, which is expected to be recognized over a weighted average period of 1.15 years. The total fair value of stock options vested during 2010, 2009 and 2008 was \$2.6 million, \$2.5 million and \$3.0 million, respectively.

#### *Restricted Stock and Restricted Stock Units*

In October 2004, the Company granted 1,000,000 restricted stock units under the 1999 Plan to a key employee who is also a Company director. A restricted stock unit represents the right to receive a share of the Company's common stock. The restricted stock units have none of the rights as other shares of common stock until common stock is distributed, other than rights to cash dividends. The restricted stock unit award was a non-performance award which vests at the rate of 20% on May 31, 2005 and 10% per year on April 1, 2006 and each year thereafter. The share-based expense for restricted stock awards was determined based on the market price of the Company's stock at the date of the award. Compensation expense related to the restricted stock award was approximately \$0.6 million in each of 2010, 2009 and 2008. Share-based compensation expense for restricted stock issued to Directors was \$0.1 million in each of 2010, 2009 and 2008.

In August 2010, the Company granted 175,000 restricted stock units under the 2010 Plan to a key employee who is also a Company director. A restricted stock unit represents the right to receive a share of the Company's common stock. The restricted stock units have none of the rights as other shares of common stock, other than rights to cash dividends, until common stock is distributed. The restricted stock unit award was a non-performance award which vests in ten equal annual installments of 17,500 units beginning May 15, 2011 and each May 15, thereafter. The share-based expense for restricted stock awards was determined based on the market price of the Company's stock at the date of the award. Compensation expense related to the restricted stock award was approximately \$0.3 million for the year ended December 31, 2010.

#### *Share repurchase plan*

In May 2008, the Company's Board of Directors authorized the repurchase of up to 2,000,000 shares of the Company's common stock. During 2009 the Company repurchased 98,934 common shares at a cost of approximately \$1.2 million, an average of \$11.87 per share. These shares are included in common stock in treasury at cost in the Company's consolidated balance sheet. The authorization to repurchase shares under this plan has expired.

## 9. INCOME TAXES

The components of income before income taxes are as follows (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
United States	\$ 43,386	\$ 54,468	\$ 61,220
Foreign	22,647	18,617	22,523
Total	<u>\$ 66,033</u>	<u>\$ 73,085</u>	<u>\$ 83,743</u>



The provision for income taxes consists of the following (in thousands):

	Year Ended December 31,		
	2010	2009	2008
Current:			
Federal	\$ 9,535	\$ 11,987	\$ 15,753
State	2,269	3,005	4,106
Foreign	7,106	6,204	4,844
Total current	<u>18,910</u>	<u>21,196</u>	<u>24,703</u>
Deferred:			
Federal	4,712	4,271	2,242
State	(193)	844	154
Foreign	53	589	3,801
Total deferred	<u>4,572</u>	<u>5,704</u>	<u>6,197</u>
TOTAL	<u>\$ 23,482</u>	<u>\$ 26,900</u>	<u>\$ 30,900</u>

Income taxes are accrued and paid by each foreign entity in accordance with applicable local regulations.

A reconciliation of the difference between the income tax expense and the computed income tax expense based on the Federal statutory corporate rate is as follows (in thousands):

	Year Ended December 31,		
	2010	2009	2008
Income tax at Federal statutory rate	\$ 23,112	\$ 25,580	\$ 29,311
State and local income taxes and changes in valuation allowances, net of federal tax benefit	1,381	2,402	3,036
Foreign taxes at rates different from the U.S. rate	(1,407)	(991)	(940)
Changes in valuation allowances	(87)	965	(120)
Decrease in tax reserves	-	(1,195)	—
Refunds- prior years	-	—	(872)
Non-deductible items	680	—	—
Adjustment for prior year taxes	(30)	107	253
Other items, net	(167)	32	232
	<u>\$ 23,482</u>	<u>\$ 26,900</u>	<u>\$ 30,900</u>

The deferred tax assets and liabilities are comprised of the following (in thousands):

	December 31,	
	2010	2009
Assets:		
Current:		
Accrued expenses and other liabilities	\$ 12,720	\$ 7,612
Inventory	1,902	1,838
Valuation allowances	(1,605)	(1,507)
Total current assets	<u>\$ 13,017</u>	<u>\$ 7,943</u>
Non-current:		
Net operating loss and credit carryforwards	\$ 22,842	\$ 19,058
Accelerated depreciation	4,728	10,516
Intangible and other assets	—	2,264
Other	8,594	6,910
Valuation allowances	(27,671)	(28,326)
Total non-current assets	<u>\$ 8,493</u>	<u>\$ 10,422</u>
Liabilities :		
Current :		
Deductible assets	\$ 1,350	\$ 1,298
Other	4,534	19
Total current liabilities	<u>\$ 5,884</u>	<u>\$ 1,317</u>

Non-current:		
Accelerated depreciation	\$ 6,107	\$ 1,858
Other	73	—
Total non-current liabilities	<u>\$ 6,180</u>	<u>\$ 1,858</u>

The Company has not provided for federal income taxes applicable to the undistributed earnings of its foreign subsidiaries of approximately \$48.5 million as of December 31, 2010, since these earnings are considered indefinitely reinvested. The Company has foreign net operating loss carryforwards which expire through 2025. The Company records these benefits as assets to the extent that utilization of such assets is more likely than not; otherwise, a valuation allowance has been recorded. The Company has also provided valuation allowances for certain state deferred tax assets and net operating loss carryforwards where it is not likely they will be realized.

As of December 31, 2010, the Company has recorded valuation allowances of approximately \$29.3 million including valuations against net operating loss carryforwards incurred in foreign and state jurisdictions of \$20.4 million and \$2.1 million, respectively, deductible temporary differences incurred in foreign jurisdictions of \$6.4 million, the majority of which relates to the WStore acquisition, and \$0.4 million for other state deductible temporary differences.

Valuation allowances increased in 2009 by \$20.9 million as a result of the WStore acquisition and the valuation allowances recorded against acquired deferred tax assets and net operating losses. Carry forward losses of \$1 million were utilized in 2009 for which valuation allowances had been previously provided.

The Company is routinely audited by federal, state and foreign tax authorities with respect to its income taxes. The Company regularly reviews and evaluates the likelihood of audit assessments. The Company's federal income tax returns have been audited through 2006. The Company has not signed any consents to extend the statute of limitations for any subsequent years. The Company's significant state tax returns have been audited through 2005. The Company considers its significant tax jurisdictions in foreign locations to be the United Kingdom, Canada, France, Italy and Germany. The Company remains subject to examination in the United Kingdom for years after 2008, in Canada for years after 2005, in France for years after 2008, in Italy for years after 2006, in Netherlands for years after 2005 and in Germany for years after 2008.

In accordance with the guidance for accounting for uncertainty in income taxes the Company recognizes the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefit of an uncertain tax position that meets the more-likely-than-not recognition threshold is measured as the largest amount that is greater than 50% likely to be realized upon settlement with the tax authority. To the extent we prevail in matters for which accruals have been established or are required to pay amounts in excess of accruals, our effective tax rate in a given financial statement period could be affected. There were no accrued interest or penalty charges related to unrecognized tax benefits recorded in income tax expense in 2010 or 2009. As of December 31, 2010 the Company had no uncertain tax positions.

The following table details activity of the Company's uncertain tax positions during 2009:

	<u>December 31,</u> <u>2009</u>
Balance beginning of year	\$ 916
Decreases related to settlements with taxing authorities	(916)
Balance end of year	<u>\$ —</u>

## 10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Leases - The Company is obligated under operating lease agreements for the rental of certain office and warehouse facilities and equipment which expire at various dates through October 2026. The Company currently leases its headquarters office/warehouse facility in New York from an entity owned by the Company's three principal shareholders and senior executive officers. The Company believes that these payments were no higher than would be paid to an unrelated lessor for comparable space. The Company also acquires certain computer, communications equipment, and machinery and equipment pursuant to capital lease obligations.

At December 31, 2010, the future minimum annual lease payments for capital leases and related and third-party operating leases were as follows (in thousands):

	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2011	\$ 3,343	\$ 26,311	\$ 29,654
2012	2,901	25,925	28,826
2013	2,716	23,793	26,509
2014	2,342	20,614	22,956
2015	2,286	19,846	22,132
2016-2020	6,257	75,541	81,798
2021-2025		17,914	17,914
Thereafter		10,709	10,709
Total minimum lease payments	19,845	220,653	240,498
Less: sublease rental income		283	283
Lease obligation net of subleases	19,845	<u>\$ 220,370</u>	<u>\$ 240,215</u>
Less amount representing interest	2,754		
Present value of minimum capital lease payments (including current portion of \$2,655)	<u>\$ 17,091</u>		

Annual rent expense aggregated approximately \$31.1 million, \$27.1 million and \$25.0 million in 2010, 2009 and 2008, respectively. Included in rent expense was \$0.9 million, \$0.9 million and \$0.9 million in 2010, 2009 and 2008, respectively, to related parties. Rent expense is net of sublease income of \$0.2 million, \$0.1 million and \$0.4 million for 2010, 2009 and 2008, respectively.

### Other Matters

The Company and its subsidiaries are involved in various lawsuits, claims, investigations and proceedings including commercial, employment, consumer, personal injury and health and safety law matters, which are being handled and defended in the ordinary course of business. In addition, the Company is subject to various assertions, claims, proceedings and requests for indemnification concerning intellectual property, including patent infringement suits involving technologies that are incorporated in a broad spectrum of products the Company sells. The Company is also audited by (or has initiated voluntary disclosure agreements with) numerous governmental agencies in various countries, including U.S. Federal and state authorities, concerning potential income tax, sales tax and unclaimed property liabilities. These matters are in various stages of investigation, negotiation and/or litigation, and are being vigorously defended. Although the Company does not expect, based on currently available information, that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial condition or results of operations, the ultimate outcome is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. Additionally, our Audit Committee, with the assistance of independent counsel, is conducting an independent investigation into certain anonymous whistleblower allegations concerning our Miami, Florida operations. While the investigation is not yet complete, it does not appear that there is any material impact on our reported consolidated financial statements. The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable and estimable.

## 11. SEGMENT AND RELATED INFORMATION

The Company operates and is internally managed in two operating segments, Technology Products and Industrial Products. The Company's chief operating decision-maker is the Company's Chief Executive Officer. The Company evaluates segment performance based on income from operations before net interest, foreign exchange gains and losses, restructuring and other charges and income taxes. Corporate costs not identified with the disclosed segments and restructuring and other charges are grouped as "Corporate and other expenses." The chief operating decision-maker reviews assets and makes significant capital expenditure decisions for the Company on a consolidated basis only. The accounting policies of the segments are the same as those of the Company described in Note 1.

Financial information relating to the Company's operations by reportable segment was as follows (in thousands):

	Year Ended December 31,		
	2010	2009	2008
<u>Net Sales:</u>			
Technology Products	\$ 3,337,635	\$ 2,966,657	\$ 2,794,948
Industrial Products	250,036	196,129	237,027
Corporate and other	2,318	3,209	986
Consolidated	<u>\$ 3,589,989</u>	<u>\$ 3,165,995</u>	<u>\$ 3,032,961</u>
<u>Depreciation and Amortization Expense:</u>			
Technology Products	\$ 12,117	\$ 10,112	\$ 8,197
Industrial Products	1,556	1,476	986
Corporate and other	807	765	1,204
Consolidated	<u>\$ 14,480</u>	<u>\$ 12,353</u>	<u>\$ 10,387</u>
<u>Operating Income (Loss):</u>			
Technology Products	\$ 64,443	\$ 88,173	\$ 97,747
Industrial Products	23,814	15,415	24,621
Corporate and other expenses	(19,512)	(29,959)	(38,756)
Consolidated	<u>\$ 68,745</u>	<u>\$ 73,629</u>	<u>\$ 83,612</u>
<u>Total Assets</u>			
Technology Products	\$ 570,234	\$ 521,900	\$ 400,340
Industrial Products	136,909	103,370	98,670
Corporate and other	186,957	191,631	203,443
Consolidated	<u>\$ 894,100</u>	<u>\$ 816,901</u>	<u>\$ 702,453</u>

Financial information relating to the Company's operations by geographic area was as follows (in thousands):

	Year Ended December 31,		
	2010	2009	2008
<u>Net Sales:</u>			
United States	\$ 2,329,530	\$ 2,129,643	\$ 1,898,422
United Kingdom	418,865	358,742	423,245
Other	841,594	677,610	711,294
Consolidated	<u>\$ 3,589,989</u>	<u>\$ 3,165,995</u>	<u>\$ 3,032,961</u>
<u>Long-lived Assets:</u>			
United States	\$ 51,532	\$ 35,557	\$ 28,332
United Kingdom	15,953	17,223	15,973
Other	6,280	12,818	4,160
Consolidated	<u>\$ 73,765</u>	<u>\$ 65,598</u>	<u>\$ 48,465</u>

Net sales are attributed to countries based on location of selling subsidiary.

## 12. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data is as follows (in thousands, except for per share amounts):

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
2010:				
Net sales	\$ 915,237	\$ 805,875	\$ 862,705	\$ 1,006,172
Gross profit	\$ 126,241	\$ 115,222	\$ 116,692	\$ 137,792
Net income	\$ 11,751	\$ 9,450	\$ 8,622	\$ 12,728
Net income per common share:				
Basic	\$ .32	\$ .26	\$ .23	\$ .34
Diluted	\$ .31	\$ .25	\$ .23	\$ .34
2009:				
Net sales	\$ 752,268	\$ 721,599	\$ 753,880	\$ 938,248
Gross profit	\$ 107,550	\$ 107,054	\$ 112,763	\$ 132,881
Net income	\$ 8,698	\$ 6,491	\$ 12,598	\$ 18,398
Net income per common share:				
Basic	\$ .24	\$ .18	\$ .34	\$ .50
Diluted	\$ .23	\$ .17	\$ .34	\$ .49

**SYSTEMAX INC.**

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**

For the years ended December:  
(in thousands)

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Expenses</u>	<u>Write-offs</u>	<u>Other</u>	<u>Balance at End of Period</u>
Allowance for sales returns and doubtful accounts					
2010	\$ 22,532	\$ 3,268	\$ (6,816)	(1,103)(1)	\$ 17,881
2009	\$ 17,523	\$ 4,698	\$ (4,493)	4,804(2)	22,532
2008	\$ 20,521	\$ 2,424	\$ (5,422)		\$ 17,523
Allowance for deferred tax assets					
2010					
Current	\$ 1,507	\$ 81	(16)	\$ 33	\$ 1,605
Noncurrent	\$ 28,326	\$ 27	\$ (65)	\$ (617)	\$ 27,671
2009					
Current(3)	\$ —	—		\$ 1,507	\$ 1,507
Noncurrent(3) (4)	\$ 8,377	\$ —	\$ (2,125)	\$ 22,074	\$ 28,326
2008					
Current	\$ 96		\$	\$ (96)	\$ —
Noncurrent (4)	\$ 7,291	\$ 1,996	\$ (64)	\$ (846)	\$ 8,377

(1)(2) WStore opening balance sheet adjustment.

(3) Included in other is allowances recorded for deferred tax assets and net operating losses acquired in the WStore Europe SA acquisition

(4) Charges to expense are net of reductions resulting from changes in deferred tax assets due to changes in tax laws.

**CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002*****CERTIFICATION OF CHIEF EXECUTIVE OFFICER***

I, Richard Leeds, certify that:

1. I have reviewed this annual report on Form 10-K of Systemax Inc. (the “registrant”);
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 officer 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.
5. The registrant’s other certifying officer 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 17, 2011

/s/ RICHARD LEEDS

Richard Leeds, Chief Executive Officer

**CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

***CERTIFICATION OF CHIEF FINANCIAL OFFICER***

I, Lawrence P. Reinhold, certify that:

1. I have reviewed this annual report on Form 10-K of Systemax Inc. (the “registrant”);
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 officer 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.
5. The registrant’s other certifying officer 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 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 17, 2011

/s/ LAWRENCE P. REINHOLD

Lawrence P. Reinhold, Chief Financial Officer



**CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, the Chief Executive Officer of Systemax Inc., hereby certifies that Systemax Inc.'s Form 10-K for the Year Ended December 31, 2010 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78 (o)(d)) and that the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Systemax Inc.

Dated: March 17, 2011

/s/ RICHARD LEEDS

Richard Leeds, Chief Executive Officer

**CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, the Chief Financial Officer of Systemax Inc., hereby certifies that Systemax Inc.'s Form 10-K for the Year Ended December 31, 2010 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78 (o)(d)) and that the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Systemax Inc.

Dated: March 17, 2011

/s/ LAWRENCE P. REINHOLD

Lawrence P. Reinhold, Chief Financial Officer

**ANNUAL MEETING OF SHAREHOLDERS:**

The 2011 Annual Meeting will be held on  
Friday, June 10, 2011 at 2:00 p.m. at  
Systemax Inc.  
11 Harbor Park Drive  
Port Washington, NY 11050

**STOCK EXCHANGE:**

The Company's shares are traded on the  
New York Stock Exchange under the symbol SYX.

**INDEPENDENT AUDITORS:**

ERNST & YOUNG LLP  
New York, NY

**DIRECTORS**

**Richard Leeds**  
Chairman and Chief Executive Officer

**Bruce Leeds**  
Vice Chairman

**Robert Leeds**  
Vice Chairman

**Lawrence P. Reinhold**  
Executive Vice President and  
Chief Financial Officer

**Robert Rosenthal**  
Chairman and Chief Executive Officer,  
First Long Island Investors

**Stacy S. Dick**  
Chief Financial Officer  
Julian Robertson Holdings

**Marie Adler-Kravec**  
Retired President of Myron Corporation

**CORPORATE EXECUTIVE OFFICERS**

**Richard Leeds**  
Chairman and Chief Executive Officer

**Bruce Leeds**  
Vice Chairman

**Robert Leeds**  
Vice Chairman

**Lawrence P. Reinhold**  
Executive Vice President and  
Chief Financial Officer

**Thomas Axmacher**  
Vice President and Controller

**Curt S. Rush**  
General Counsel and Secretary

**Ben White**  
Vice President and Auditor

**SEGMENT EXECUTIVE MANAGEMENT**

**Richard Leeds**  
Industrial Products-Chief Executive

**Robert Leeds**  
Technology Products-Interim Chief Executive

**Systemax Inc. Corporate Headquarters**  
11 Harbor Park Drive, Port Washington, NY 11050

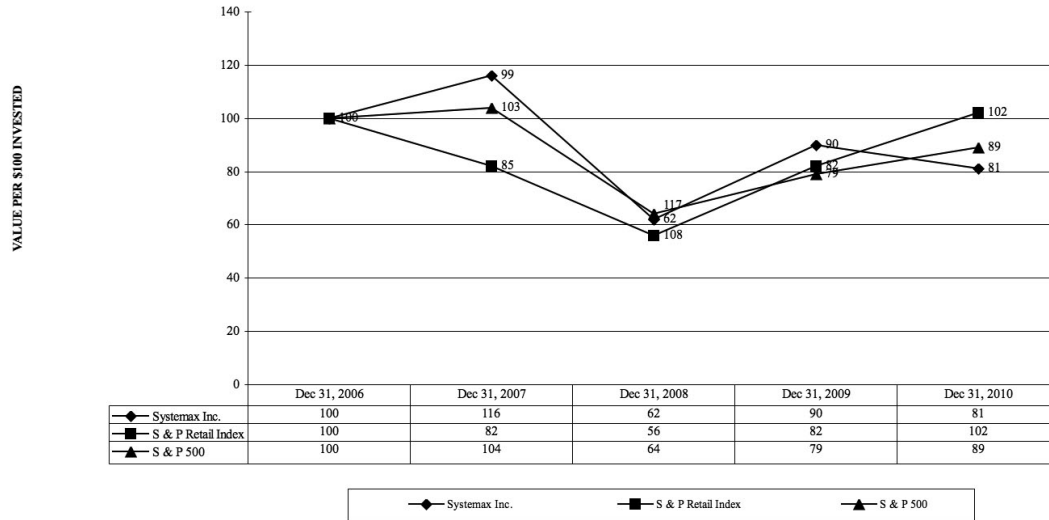
**Industrial Products Headquarters**

**Global Equipment Company Inc.**  
11 Harbor Park Drive, Port Washington, NY 11050

**Technology Products Headquarters**

**SYX Services, Inc.**  
7795 West Flagler Street, Miami, FL 33144

## Stock Performance Graph



## Financial Summary

(In millions except Basic Net Income (Loss) Per Share)

	2006	2007	2008	2009	2010
Net Sales	\$2,345.2	\$2,779.9	\$3,032.9	\$3,166.0	\$3,589.9
Operating Income	\$ 60.9	\$ 94.2	\$ 83.6	\$ 73.6	\$ 68.7
Net Income	\$ 45.1	\$ 69.5	\$ 52.8	\$ 46.2	\$ 42.6
Diluted Net Income Per Share	\$ 1.22	\$ 1.84	\$ 1.40	\$ 1.24	\$ 1.13

**Forward-Looking Statements:** Certain statements in this Annual Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include known and unknown risks, uncertainties and other factors as set forth within the Form 10K forming a part of this document.



**Systemax**<sup>TM</sup>  
2010 Annual Report