DELPHI AUTOMOTIVE SYSTEMS CORP
Form 424B5
June 04, 2001

Filed Pursuant To Rule 424(b)(5)
Registration Statement No. 333-73285

PROSPECTUS SUPPLEMENT
(To prospectus dated March 30, 1999)

$500,000,000

Delphi Automotive Systems Corporation

6.55% Notes due 2006

The notes (the Notes) will bear interest at 6.55% per year and will mature on June 15, 2006. We will pay interest on the Notes on June 15 and December 15 of each year, beginning December 15, 2001. We may redeem the Notes prior to maturity, in whole or in part, as described in this prospectus supplement.

Investing in the Notes involves certain risks.

See Risk Factors beginning on page S-6.

	Public Offering Price(1)	Underwriting Discount	Proceeds Before Expenses
Per Note	99.875%	0.350%	99.525%
Total	$499,375,000	$1,750,000	$497,625,000

(1) Plus accrued interest from June 5, 2001, if settlement occurs after that date.

Neither the United States Securities and Exchange Commission nor any foreign or state securities commission, the Luxembourg Stock Exchange nor any foreign governmental agency have approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Notes are being offered for sale in the United States, Europe and Asia. We have applied to have the Notes listed and traded in accordance with the rules of the Luxembourg Stock Exchange. The Notes will be ready for delivery in book-entry form only through The Depository Trust Company, Clearstream Banking Luxembourg or the Euroclear System, as the case may be, on or about June 5, 2001.

Joint Bookrunners

Bear, Stearns & Co. Inc. **Credit Suisse First Boston**

Co-Lead Managers

JPMorgan **Salomon Smith Barney**

Co-Managers

Banc of America Securities LLC **Dresdner Kleinwort Wasserstein** **Merrill Lynch & Co.**
Morgan Stanley Dean Witter **The Williams Capital Group, L.P.**

The date of this prospectus supplement is May 31, 2001.

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The Luxembourg Stock Exchange takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document and the accompanying prospectus.

No person is authorized to give any information or to represent anything not contained in this prospectus supplement or the accompanying prospectus. You must not rely on any unauthorized information or representations. This prospectus supplement and the accompanying prospectus are an offer to sell or to buy only the Notes, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement or the accompanying prospectus as well as information previously filed with the Securities and Exchange Commission (the SEC) and incorporated by reference is current only as of the date of such information. Our business, financial condition, results of operations and prospects may have changed since that date.

Offers and sales of the Notes are subject to restrictions in relation to the United Kingdom, details of which are set out in Underwriting below. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Notes in certain other jurisdictions may also be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or on behalf of the underwriters or any of them to subscribe for and purchase, any of the Notes, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Each underwriter has confirmed that it understands that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law). Accordingly, each underwriter has represented and agreed that it will not offer or sell, directly or indirectly, any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

We cannot guarantee that the application to the Luxembourg Stock Exchange will be approved, and the sale of the Notes is not conditioned on obtaining this listing.

References in this prospectus supplement and the accompanying prospectus to we, us, our, the company and Delphi are to Delphi Automotive Systems Corporation.

In this prospectus supplement and the accompanying prospectus, unless otherwise specified or the context otherwise requires, references to dollars, $ and U.S. $ are to United States dollars.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Delphi and its representatives may periodically make written or oral statements that are forward-looking, including statements included in this prospectus supplement and accompanying prospectus as well as other filings with the SEC and in reports to our stockholders. All statements which address operating performance, events or developments that we expect or anticipate may occur in the future (including statements relating to future sales or earnings expectations, savings expected as a result of global restructuring or other initiatives, volume growth, awarded sales contracts and earnings per share expectations or statements expressing general optimism about future operating results) are forward-looking statements. These statements are made on the basis of management s views and assumptions; as a result, there can be no assurance that management s expectations will necessarily come to pass. Principal important factors, risks and uncertainties which may cause actual results to differ from those expressed in forward-looking statements set forth in this prospectus supplement and accompanying prospectus include: our ability to increase non-General Motors Corporation (GM) sales and achieve the labor benefits expected from our separation from GM; our ability to retain GM business; potential increases in our warranty costs; our ability to successfully implement our global restructuring plans; changes in the economic conditions or political environment in the markets in which we operate; currency exchange rate fluctuations; financial or market declines of our customers or significant business partners; labor disruptions or material shortages; the level of competition in the automotive industry; significant downturns in the automobile production rate; costs relating to legal and administrative proceedings; changes in laws or regulations pertaining to the automotive industry; our ability to realize costs savings expected to offset price reductions; our ability to make pension and other post-retirement payments at levels anticipated by management; our ability to successfully exit non-performing businesses and absorb contingent liabilities related to divestitures; our ability to complete and integrate acquisitions; changes in technology and technological risks; our ability to protect and assert patent and other intellectual property rights; our ability to provide high quality products at competitive prices, to develop new products to meet changing consumer preferences and to meet changing vehicle manufacturers supply requirements on a timely, cost effective basis; and other factors, risks and uncertainties discussed in the Delphi Automotive Systems Corporation Annual Report on Form 10-K for the year ended December 31, 2000 and other filings with the SEC. Delphi does not intend or assume any obligation to update any of these forward-looking statements.

SUMMARY

The information contained in this summary is qualified in its entirety by and should be read together with the more detailed information and financial statements incorporated by reference in this prospectus supplement and accompanying prospectus.

The Company

Overview. Delphi is a world leading supplier of vehicle electronics, transportation components, integrated systems and modules, with 2000 net sales of $29.1 billion. We have extensive technical expertise in a broad range of product lines and strong systems integration skills, which enable us to provide comprehensive, systems-based solutions to vehicle manufacturers (VMs). We have established an expansive global presence, with a network of manufacturing sites, technical centers, sales offices and joint ventures located in every major region of the world. We sell our products to the major VMs around the world. We operate our business along three major product sectors, which work closely together to coordinate product development and marketing efforts. Our three product sectors are: Electronics & Mobile Communication, which includes our automotive electronics and audio and communication systems; Safety, Thermal & Electrical Architecture, which includes our safety, thermal and power and signal distribution products; and Dynamics & Propulsion, which includes our energy and engine management, chassis and steering products.

We also sell our products to the worldwide aftermarket for replacement parts. Our select portfolio of high-quality aftermarket products falls under five key categories: under car, thermal systems, energy/engine management systems, electronics and remanufactured parts. By leveraging our strong electronics competency, technical knowledge, product portfolio and distribution network, we are able to offer a diversified line of aftermarket products.

We are increasingly selling our products to non-VM customers. The growth in non-VM markets, which includes communications, military, aerospace, agriculture and construction, is fueled by our ability to leverage existing automotive technologies. We will continue to look for opportunities to use our base competencies beyond the automotive industry.

History. Delphi was incorporated in Delaware in late 1998, as a wholly owned subsidiary of GM. Before January 1, 1999, GM conducted the business through various divisions and subsidiaries. Effective January 1, 1999, the assets and liabilities of the Delphi business sector were transferred to Delphi and its subsidiaries in accordance with the terms of a Master Separation Agreement to which Delphi and GM are parties (the Separation Agreement). We became an independent company during 1999 through a series of transactions (the Separation). The Separation occurred in two stages, the first of which involved an initial public offering (the IPO) on February 5, 1999, and the second of which involved the distribution of Delphi s remaining shares owned by GM on May 28, 1999.

Global Restructuring Plans and Impairment Charges. As a result of uncertain industry conditions and the decision to more rapidly implement Delphi s long-term portfolio plans, on March 29, 2001, Delphi announced global restructuring plans designed to reduce structural costs, improve the earnings power of Delphi s portfolio of businesses and streamline structure. The plans include intentions to sell, close or consolidate nine plants, downsize the work force at more than 40 other facilities, and exit selected under-performing and non-core products. The restructuring plans are expected to reduce Delphi worldwide employment by approximately 11,500 positions. The plans include exiting businesses across all sectors with sales totaling approximately $900 million, representing approximately 20% of the $4 billion to $5 billion of businesses that have been under management s portfolio review. The actions comprising the restructuring plans will take place by March 31, 2002. In connection with the restructuring plans, we recognized restructuring charges of approximately $536 million in the first quarter of 2001. Delphi expects to begin to realize the benefits of our restructuring actions in the second half of 2001 and in even greater measure in 2002 and beyond.

In the first quarter of 2001, we also recorded asset impairment charges of $63 million related to long-lived assets at the sites impacted by the restructuring plans and impairment charges of $18 million related to permanent declines in the value of certain joint ventures.

As a result of these actions, we recorded total charges of $617 million ($404 million after-tax) in the first quarter of 2001.

Acquisitions. On March 30, 2001, Delphi acquired substantially all of the assets and assumed certain liabilities of Eaton Corporation s Vehicle Switch/ Electronics Division, now Delphi Mechatronic Systems, for approximately $0.3 billion. The purchase price is subject to adjustment for certain post-closing events including governmental approval of the transfer of certain assets in Poland. Delphi Mechatronic Systems is a global producer of electromechanical switches, mechatronic modules and body electronics for the light vehicle industry with 2000 sales of $320 million, primarily in North America. Delphi Mechatronic Systems technology, complemented by our extensive electrical and electronic integration capabilities, will enable us to offer customers new solutions in modular cockpits, doors and overhead systems. The Delphi Mechatronic Systems acquisition supports our goals of enhancing our technology, diversifying our customer base and geographic footprint, and leveraging our system integration capabilities.

In January, 2000, Delphi completed the purchase of Lucas Diesel Systems from TRW Inc. for $0.8 billion, net of cash acquired. Lucas Diesel Systems, now Delphi Diesel Systems, is the world s second largest producer of diesel fuel-injection systems for light, medium and heavy-duty vehicles. We believe that this acquisition supports our key initiatives by adding new high-growth diesel product lines, increasing our European sales by more than 18%, complementing our gasoline engine management systems capabilities and increasing our non-GM sales by 10% to approximately $8.5 billion during 2000.

In February, 2000, Delphi completed the acquisition of Automotive Products Distribution Services (APDS). APDS, now Delphi Lockheed Automotive, is a leading European distributor of automotive aftermarket products for passenger cars and commercial vehicles. We believe this acquisition strengthens our portfolio and distribution in the global aftermarket, providing distribution networks for our existing product lines as well as existing APDS products.

The Offering

Securities Offered

$500,000,000 principal amount of 6.55% Notes due 2006.

Maturity Date

The Notes will mature on June 15, 2006.

Interest Rate

6.55% per annum, accruing from June 5, 2001.

Interest Payment Dates

June 15 and December 15.

Redemption

The Notes are not subject to a sinking fund. The Notes are redeemable before maturity at the option of Delphi, in whole or in part, at the redemption price set forth herein plus accrued and unpaid interest, and are redeemable in whole, but not in part, at 100% of the principal amount plus accrued and unpaid interest on the Notes in the event of certain changes relating to United States taxation. See Description of the Notes Optional Redemption and Redemption for Tax Reasons.

Ranking

The Notes are unsecured and unsubordinated indebtedness of Delphi and will rank equal with Delphi s other unsecured and unsubordinated debt.

Use of Proceeds

Delphi intends to use the net proceeds from the offering of the Notes (the Offering) to reduce a portion of its commercial paper borrowings.

RISK FACTORS

In considering whether to purchase the Notes, you should carefully consider all the information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus. In particular, you should carefully consider the risk factors described below.

We Depend on GM as a Customer

GM accounted for 71% of our total net sales in fiscal 2000. If we are unable to compete effectively for new business with GM s other suppliers, our revenues may decline. In connection with our separation from GM in 1999, we entered into a supply agreement with GM affording us limited bidding rights on new GM products. Our rights under this supply agreement terminate on January 1, 2002. After the expiration of the supply agreement, we will bid for GM s automotive parts business on the same basis as our competitors, and to compete effectively will need to continue to satisfy GM s pricing, service, technology and increasingly stringent quality and reliability requirements, which, because we are GM s largest supplier, particularly affect us. For these reasons, we cannot provide any assurance as to the amount of our future business with GM. While we intend to continue to focus on retaining and winning GM s business, we cannot assure you that we will succeed in doing so. Additionally, our revenues may be affected by decreases in GM s business or market share.

Our Revenues May Continue to Decline Due to Adverse Conditions in Our Market

As a result of lower production schedules for our customers in North America, our largest market, and a weaker U.S. aftermarket, our revenues for the first quarter of 2001 were approximately 16% lower than the comparable period in 2000. Such adverse market conditions may continue for an extended period of time. If they continue, these conditions could result in additional continued revenue declines and could adversely affect our earnings and financial condition. We have implemented productivity improvements and streamlining activities designed to mitigate the impact of reduced demand, and implemented global restructuring plans. However, we cannot assure you that any such actions will be effective or sufficient to offset the impact of these adverse market conditions.

We May Incur Material Losses and Costs as a Result of Product Liability and Warranty Claims That May Be Brought Against Us

We face an inherent business risk of exposure to product liability and warranty claims in the event that our products fail to perform as expected or such failure of our products results, or is alleged to result, in bodily injury and/or property damage. We cannot assure you that we will not experience any material warranty or product liability losses in the future or that we will not incur significant costs to defend such claims. In addition, if any of our products are or are alleged to be defective, we may be required to participate in a recall involving such products. Each vehicle manufacturer has its own policy regarding product recalls and other product liability actions relating to its suppliers. However, as suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, vehicle manufacturers are increasingly looking to their suppliers for contribution when faced with product liability claims. A successful claim brought against us in excess of our available insurance coverage or a requirement to participate in a product recall may have a material adverse effect on our business. Vehicle manufacturers are also increasingly requiring their outside suppliers to guarantee or warrant their products and to bear the costs of repair and replacement of such products under new vehicle warranties. Depending on the terms under which we supply products to a vehicle manufacturer, a vehicle manufacturer may hold us responsible for some or all of the repair or replacement costs of such products under new vehicle warranties, when the product supplied did not perform as represented. A few VMs have advised us that they intend to pursue warranty claims to a greater extent than previously. In particular, GM continues to assert pre-separation warranty claims that we are challenging. We cannot assure you that our costs associated with providing product warranties will not be material.

USE OF PROCEEDS

We estimate that the net proceeds from the Offering, after deducting the underwriting discount and expenses of the Offering, will be approximately $497,317,500. We intend to use such proceeds to reduce a portion of our commercial paper borrowings, including debt of $0.3 billion arising from the purchase of Delphi Mechatronic Systems. At March 31, 2001, $1.3 billion was outstanding under our commercial paper programs at an average weighted interest rate of 5.6%. Borrowings under these programs are for a maximum of 365 days from issuance.

CAPITALIZATION

Set forth below is the historical capitalization of our company on a consolidated basis at March 31, 2001 and as adjusted to give effect for the offering of the Notes pursuant to this prospectus supplement and for the reduction of a portion of our commercial paper borrowings with the net proceeds of the Offering. You should read the information set forth below in conjunction with Selected Financial Data which appear elsewhere in this prospectus supplement and our consolidated financial statements, including the notes thereto, which are incorporated by reference in this prospectus supplement and the accompanying prospectus.

	March 31, 2001	
	Actual	As Adjusted
	(unaudited) (in millions)	
Debt:		
Notes payable and current portion of long-term debt	$1,477	$1,240
Long-term debt	1,891(1)	1,628
Notes offered hereby		500
Total debt	3,368	3,368
Equity:		
Common stock, $0.01 par value, 1,350 million shares authorized and 565 million shares issued and outstanding	6	6
Additional paid-in capital	2,450	2,450
Retained earnings	1,401	1,401
Other comprehensive income	(541)	(541)

Treasury stock, at cost, 5.1 million shares	(94)	(94)
Total equity	3,222	3,222
Total capitalization	$6,590	$6,590

(1) In accordance with our plan and ability to refinance the Delphi Mechatronic Systems acquisition on a long-term basis, we reclassified the associated commercial paper and line of credit borrowings totaling $0.3 billion to long-term debt as of March 31, 2001. Such amounts will be refinanced with a portion of the net proceeds of the Notes.

SELECTED FINANCIAL DATA

The following selected financial data reflects our historical results of operations and cash flows. Selected financial data for the periods prior to 1999 reflect the historical results of operations and cash flows of the businesses that were considered part of the Delphi business sector of GM during each respective period. In addition, the data for all periods include amounts relating to Delco Electronics, the electronics and mobile communication business that was transferred by GM to Delphi in December 1997. The historical consolidated statement of operations data for the years 1996-1998 do not reflect many significant changes that have occurred in the operations and funding of our company as a result of our separation from GM and our IPO. The historical consolidated balance sheet data reflects the assets and liabilities transferred to our company in accordance with the Separation Agreement.

The selected financial data of Delphi should be read in conjunction with, and are qualified by reference to Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto incorporated by reference in this prospectus supplement and accompanying prospectus. Our consolidated statements of operations and cash flows for the years ended December 31, 2000, 1999, 1998, 1997 and 1996 and the consolidated balance sheets as of December 31, 2000, 1999, 1998, 1997 and 1996 have been audited. The financial data for the three months ended March 31, 2001 and 2000 are derived from Delphi s unaudited consolidated financial statements. The unaudited financial information reflects all adjustments (consisting only of normal recurring adjustments) that Delphi considers necessary for a fair statement of our consolidated financial position and results of operations for such periods.

The financial information presented may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the years 1996-1998. You should read the Management s Discussion and Analysis of

Financial Condition and Results of Operations sections in our Annual Report on Form 10-K for the year ended December 31, 2000 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2001, which describe a number of factors which have affected our financial results, including the global restructuring plans and impairment charges, acquisitions of Delphi Mechatronic Systems, Delphi Diesel Systems and Delphi Lockheed Automotive, significant price reductions as GM implemented its global sourcing initiative, work stoppages at both GM and Delphi and charges associated with underperforming assets.

	Three Months Ended March 31,		Year Ended December 31,				
	2001(1)	2000(2)	2000(2)	1999	1998	1997	1996
	(in millions, except per share amounts)						
Statement of Operations Data:(3)							
Net sales	$6,535	$7,804	$29,139	$29,192	$28,479	$31,447	$31,032
Operating expenses:							
Cost of sales, excluding items listed below	5,901	6,596	24,744	25,035	26,135	27,710	27,471
Selling, general and administrative	378	459	1,715	1,619	1,463	1,415	1,445
Depreciation and amortization	317	232	936	856	1,102	1,970	843
Restructuring	536						
Acquisition-related in-process research and development			51	51			
Operating income (loss)	(597)	466	1,693	1,682	(221)	352	1,273
Interest expense	(56)	(40)	(183)	(132)	(277)	(287)	(276)
Other (expense) income, net	(3)	34	157	171	232	194	115

Income (loss) before income taxes	(656)	460	1,667	1,721	(266)	259	1,112
Income tax expense (benefit)	(227)	170	605	638	(173)	44	259
Net income (loss)	$(429)	$290	$1,062	$1,083	$(93)	$215	$853
Basic earnings (loss) per share	$(0.77)	$0.51	$1.89	$1.96	$(0.20)	$0.46	$1.83

Diluted earnings (loss) per share
$(0.77) $0.51 $1.88 $1.95 $(0.20) $0.46 $1.83

Cash dividends declared per share(4)
$0.07 $0.07 $0.28 $0.21 $ $ $

Statement of Cash Flows Data:

Cash provided by (used in) operating activities
$296 $(520) $268 $(1,214) $849 $2,918 $2,701
Cash used in investing activities
(420) (1,200) (2,054) (1,055) (1,216) (1,320) (995)
Cash provided by (used in) financing activities
146 1,109 1,094 2,878 384 (1,549) (1,686)
Other Financial Data:

EBITDA(5)
$(293) $769 $2,789 $2,613 $1,056 $2,459 $2,182
Ratio of earnings to fixed charges(6)

	N/A	9.7x	7.9x	10.6x	N/A	1.7x	4.3x
Balance Sheet Data (at end of period):							
Total assets	$18,555	$18,980	$18,521	$18,350	$15,506	$15,026	$15,390
Total debt	3,368	2,927	3,182	1,757	3,500	3,500	3,500
Stockholders equity (deficit)	3,222	3,434	3,766	3,200	9	(413)	922

(1) Excluding the restructuring and impairment charges of $617 million ($404 million after-tax), operating income would have been $2 million, loss before taxes would have been $39 million, net loss would have been $25 million and basic and diluted loss per share would have been $0.04.

(2) Excluding the one-time, non-cash charge of $51 million ($32 million after-tax) resulting from acquisition-related in-process research and development, for the year ended December 31, 2000, operating income would have been $1,744 million, income before income taxes would have been $1,718 million, net income would have been $1,094 million and basic and diluted earnings per share would have been $1.95 and $1.94, respectively. For the three months ended March 31, 2000, operating income would have been $517 million, income before income taxes would have been $511 million, net income would have been $322 million, and basic and diluted earnings per share would have been $0.57.

(3) Delphi became a separate company in 1999. The data for 1996-1998 represents results when Delphi was an operating sector within GM.

(4) As we became a public company on February 5, 1999, dividend data for the years ending before our IPO is not applicable.

(5) EBITDA is defined as income before provision for interest expense and interest income, income taxes, acquisition-related in-process research and development, depreciation and amortization. EBITDA is not presented as an alternative measure of operating results or cash flow from operations, as determined in accordance with generally accepted accounting principles, but because we believe it is a widely accepted indicator of our ability to incur and service debt. EBITDA does not give effect to cash used for debt service requirements and thus does not reflect funds available for dividends, reinvestment or other discretionary uses. In addition, EBITDA as presented herein may not be comparable to similarly titled measures reported by other companies. For the three months ended March 31, 2001, excluding the restructuring and investment impairment charges of $536 million and $18 million, respectively, EBITDA would have been $261 million.

(6) Earnings include net income plus fixed charges. Fixed charges consist of interest expense and an estimated interest component of rent expense. For the three months ended March 31, 2001 and the year ended December 31, 1998, fixed charges exceeded earnings by $661 million and $320 million, respectively, resulting in a ratio of less than one.

DESCRIPTION OF THE NOTES

Information in this section should be read in conjunction with the statements under Description of Debt Securities in the accompanying prospectus.

General

The Notes are in the aggregate principal amount of $500,000,000, mature on June 15, 2006 and bear interest at 6.55% per annum.

The Notes:

will be issued in U.S. dollars in denominations of $1,000 and integral multiples of $1,000.

will be issued pursuant to an Indenture dated April 28, 1999 (the Indenture), between Delphi and Bank One Trust Company, N.A., as trustee (the Trustee).

are redeemable before maturity at the option of Delphi, in whole or in part, at the redemption price set forth herein plus accrued and unpaid interest, and are redeemable in whole, but not in part, at 100% of the principal amount plus accrued and unpaid interest on the Notes in the event of certain changes relating to United States taxation.

are not subject to any sinking fund.

will be represented by one or more global certificates in fully registered form. Except in certain limited circumstances, the Notes will not be issued in definitive form. If the Notes are issued in definitive form, they will be issued in registered form, and payments of principal and interest will be made according to alternative arrangements.

will be listed and traded in accordance with the rules of the Luxembourg Stock Exchange, if Delphi s application for listing to the Luxembourg Stock Exchange is approved.

represent unsecured and unsubordinated debt.

will be repaid at par at maturity.

will rank equal with Delphi s other unsecured and unsubordinated debt.

Interest:

is payable on June 15 and December 15 of each year, payable to the persons in whose names the Notes are registered at the close of business on June 1 and December 1, as the case may be, prior to the payment date.

will be calculated on the basis of a 360-day year of twelve 30-day months.

payments begin on December 15, 2001 and interest will begin to accrue from June 5, 2001.

We will deliver to the Trustee, annually, an officers certificate as to the existence or absence of defaults under the Indenture. We may, without the consent of the holders of the Notes, issue additional securities having the same ranking and the same interest rate, maturity and other terms as the Notes. Any additional securities, together with the related series of Notes, will consist of a single series of securities under the Indenture on the same terms and conditions and with the same CUSIP number(s).

Optional Redemption

The Notes may be redeemed in whole at any time or in part from time to time, at the option of Delphi at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed, or (2) the sum of the present values of the remaining scheduled payments of principal and interest on Notes to be redeemed discounted to the date of redemption on a semi-annual basis (assuming

a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 25 basis points plus accrued and unpaid interest on the principal amount being redeemed at the redemption date.

Treasury Rate means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price of such redemption date. The Treasury Rate will be calculated on the third Business Day preceding the redemption date.

Business Day means any calendar day that is not a Saturday, Sunday or legal holiday in New York, New York and on which commercial banks are open for business in New York, New York.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term (Remaining Life) of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

Independent Investment Banker means either Bear, Stearns & Co. Inc. or Credit Suisse First Boston Corporation, and their respective successors, or, if both firms are unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee after consultation with Delphi.

Comparable Treasury Price means (1) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

Reference Treasury Dealer means (1) Bear, Stearns & Co. Inc. and Credit Suisse First Boston Corporation, and their respective successors, provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a Primary Treasury Dealer), Delphi will substitute for such underwriter another Primary Treasury Dealer and (2) any other Primary Treasury Dealer selected by the Independent Investment Banker after consultation with Delphi.

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2,542

$	2,560
$	1,483
$	1,540
Income per common share Basic	
$	0.55
$	0.57

$	0.32
$	0.35
Income per common share Diluted	
$	0.54
$	0.56
$	0.31
$	

	0.34
Weighted average common shares outstanding Basic	
	4,601
	4,464
	4,664
	4,451

Weighted average common shares outstanding Diluted	
	4,665
	4,578
	4,719
	4,557
Dividends paid per common share	
$	
	0.34

$	0.32
$	0.17
$	0.16

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Wayside Technology Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(Amounts in thousands)

	Six months ended June 30,		Three months ended June 30,	
	2014	**2013**	**2014**	**2013**
Net income	$ 2,542	$ 2,560	$ 1,483	$ 1,540
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	(64)	(322)	218	(136)
Reclassification adjustment for loss realized in net income on available-for-sale marketable securities		11		
Other comprehensive (loss) income	(64)	(311)	218	(136)
Comprehensive income	$ 2,478	$ 2,249	$ 1,701	$ 1,404

The accompanying notes are an integral part of these condensed consolidated financial statements.

Wayside Technology Group, Inc. and Subsidiaries

Condensed Consolidated Statement of Stockholders Equity

(Unaudited)

(Amounts in thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Shares	Treasury Amount	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2014	5,284,500	$ 53	$ 28,791	631,207	$ (7,017)	$ 12,695	$ 199	$ 34,721
Net income						2,542		2,542
Translation adjustment							(64)	(64)
Dividends paid						(1,592)		(1,592)
Share-based compensation expense			609					609
Restricted stock grants (net of forfeitures)			(128)	(20,414)	128			
Stock options exercised			552	(220,000)	1,239			1,791
Tax benefit from share-based compensation			664					664
Treasury stock repurchased				20,200	(315)			(315)
Balance at June 30, 2014	5,284,500	$ 53	30,488	410,993	(5,965)	13,645	135	38,356

The accompanying notes are an integral part of these condensed consolidated financial statements.

Wayside Technology Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(Amounts in thousands)

	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flows from operating activities		
Net income	$ 2,542	$ 2,560
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	114	150
Deferred income (benefit) tax expense	(18)	14
Provision for doubtful accounts receivable		112
Share-based compensation expense	575	551
Changes in operating assets and liabilities:		
Accounts receivable	2,834	10,603
Inventory	94	(30)
Prepaid expenses and other current assets	1,142	(240)
Accounts payable and accrued expenses	(12,493)	(12,910)
Other assets	(5)	(82)
Net cash (used in) provided by operating activities	(5,215)	728
Cash flows provided by (used in) investing activities		
Purchases of available-for-sale securities		(920)
Redemptions of available-for-sale securities		5,342
Purchase of equipment and leasehold improvements	(116)	(146)
Net cash (used in) provided by investing activities	(116)	4,276
Cash flows from financing activities		
Dividends paid	(1,592)	(1,493)
Purchase of treasury stock	(315)	(1,211)
Tax benefit from share-based compensation	664	57
Repayment of capital lease obligations		(41)
Proceeds from stock option exercises	1,791	
Net cash provided by (used in) financing activities	548	(2,688)
Effect of foreign exchange rate on cash	(110)	(130)
Net (decrease) increase in cash and cash equivalents	(4,893)	2,186
Cash and cash equivalents at beginning of period	19,609	9,835
Cash and cash equivalents at end of period	$ 14,716	$ 12,021
Supplementary disclosure of cash flow information:		
Income taxes paid	$ 1,414	$ 1,593
Interest paid	$	$ 10

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Wayside Technology Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2014

(Amounts in tables in thousands, except share and per share amounts)

1. The accompanying unaudited condensed consolidated financial statements of Wayside Technology Group, Inc. and its subsidiaries (collectively, the Company), have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. GAAP for complete audited financial statements.

The preparation of these condensed consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, investments, intangible assets, income taxes, stock-based compensation, and contingencies and litigation. The Company bases its estimates on its historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. In the opinion of the Company s management, all adjustments that are of a normal recurring nature, considered necessary for fair presentation, have been included in the accompanying financial statements. The Company s actual results may differ from these estimates under different assumptions or conditions. The unaudited condensed consolidated statements of earnings for the interim periods are not necessarily indicative of results for the full year. For further information, refer to the consolidated financial statements and notes thereto included in the Company s annual report on Form 10-K filed with the Securities Exchange Commission for the year ended December 31, 2013.

2. In May 2014, the FASB issued guidance for revenue recognition for contracts, superseding the previous revenue recognition requirements, along with most existing industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue. The new standard will result in enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard is effective for our reporting year beginning January 1, 2017 and early adoption is not permitted. We are currently evaluating the impact of this new accounting pronouncement, if any, the pronouncement will have on our financial statements.

3. Assets and liabilities of the Company s foreign subsidiaries have been translated at current exchange rates, and related sales and expenses have been translated at average rates of exchange in effect during the period. The sales from our Canadian operations in the first six months of 2014 were $11.5 million as compared to $10.6 million for the first six months of 2013. The sales from our Canadian operations for the second quarter of 2014 were $5.9 million as compared to $5.7 million for the second quarter of 2013.

4. Cumulative translation adjustments and unrealized gains (losses) on available-for-sale securities have been classified within accumulated other comprehensive income, which is a separate component of stockholders equity in accordance with FASB ASC Topic 220, Comprehensive Income.

5. Revenue on product (software and hardware) and maintenance agreement sales are recognized once four criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed and determinable, (3) delivery (software and hardware) or fulfillment (maintenance) has occurred, and (4) there is reasonable assurance of collection of the sales proceeds. Revenues from the sales of hardware products, software products and licenses and maintenance agreements are recognized on a gross basis with the selling price to the customer recorded as sales and the acquisition cost of the product recorded as cost of sales.

Wayside Technology Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2014

(Amounts in tables in thousands, except share and per share amounts)

Product delivery to customers occur in a variety of ways, including (i) as physical product shipped from the Company s warehouse, (ii) via drop-shipment by the vendor, or (iii) via electronic delivery for software licenses. The Company leverages drop-ship arrangements with many of its vendors and suppliers to deliver products to customers without having to physically hold the inventory at its warehouse, thereby increasing efficiency and reducing costs. The Company recognizes revenue for drop-ship arrangements on a gross basis. Furthermore, in such drop-ship arrangements, the Company negotiates price with the customer, pays the supplier directly for the product shipped and bears credit risk of collecting payment from its customers. The Company serves as the principal with the customer and, therefore, recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product has shipped. Maintenance agreements allow customers to obtain technical support directly from the software publisher and to upgrade, at no additional cost, to the latest technology if new applications are introduced by the software publisher during the period that the maintenance agreement is in effect.

Sales are recorded net of discounts, rebates, and returns. Vendor rebates and price protection are recorded when earned as a reduction to cost of sales or merchandise inventory, as applicable.

Cooperative reimbursements from vendors, which are earned and available, are recorded in the period the related advertising expenditure is incurred. Cooperative reimbursements are recorded as a reduction of cost of sales in accordance with FASB ASC Topic 605-50 Accounting by a Customer (including reseller) for Certain Consideration Received from a Vendor. Provisions for returns are estimated based on historical sales returns and credit memo analysis which are adjusted to actual on a periodic basis.

Accounts receivable-long-term result from product sales with extended payment terms that are discounted to their present values at the prevailing market rates. In subsequent periods, the accounts receivable are increased to the amounts due and payable by the customers through the accretion of interest income on the unpaid accounts receivable due in future years. The amounts due under these long-term accounts receivable due within one year are reclassified to the current portion of accounts receivable.

6. The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximated fair value at June 30, 2014 and December 31, 2013 because of the relative short maturity of these instruments. The Company s accounts receivable long-term is discounted to their present value at prevailing market rates so the balances approximate fair value.

7. Balance Sheet Detail:

Equipment and leasehold improvements consist of the following as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Equipment	$ 2,870	$ 2,771
Leasehold improvements	570	555
	3,440	3,326
Less accumulated depreciation and amortization	(3,112)	(3,002)
	$ 328	$ 324

Wayside Technology Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2014

(Amounts in tables in thousands, except share and per share amounts)

Accounts payable and accrued expenses consist of the following as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Trade accounts payable	$ 45,121	$ 56,973
Accrued expenses	2,372	3,066
	$ 47,493	$ 60,039

Accumulated other comprehensive income consists of the following as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Foreign currency translation adjustment	$ 135	$ 199
	$ 135	$ 199

8. On January 4, 2013, the Company entered into a $10,000,000 revolving credit facility (the Credit Facility) with Citibank, N.A. (Citibank) pursuant to a Business Loan Agreement (the Loan Agreement), Promissory Note (the Note), Commercial Security Agreements (the Security Agreements) and Commercial Pledge Agreement (the Pledge Agreement). The Credit Facility, which will be used for business and working capital purposes, including financing of larger extended payment terms sales transactions. The Credit Facility matures on January 4, 2016, at which time the Company must pay this loan in one payment of any outstanding principal plus all accrued unpaid interest. In addition, the Company will pay regular monthly payments of all accrued unpaid interest. The interest rate for any borrowings under the Credit Facility is subject to change from time to time based on the changes in an independent index which is the LIBOR Rate (the Index). If the Index becomes unavailable during the term of this loan, Citibank may designate a substitute index after notifying the Company. Interest on the unpaid principal balance of the Note will be calculated using a rate of 1.500 percentage points over the Index. The Credit Facility is secured by the assets of the Company.

Among other affirmative covenants set forth in the Loan Agreement, the Company must maintain (i) a ratio of Total Liabilities to Tangible Net Worth (each as defined in the Loan Agreement) of not greater than 2.50 to 1.00, to be tested quarterly and (ii) a minimum Debt Service Coverage Ratio (as defined in the Loan Agreement) of 2.00 to 1.00. Additionally, the Loan Agreement contains negative covenants related to, among other items, prohibitions against the creation of certain liens, engaging in any business activities substantially different than those currently engaged in by the Company, and paying dividends the Company s stock other than (i) dividends payable in its stock and (ii) cash dividends in amounts and frequency consistent with past practice, without first securing the written consent of Citibank. The Company is in compliance with all covenants at June 30, 2014.

At June 30, 2014, the Company had no borrowings outstanding under the Credit Facility.

9. Basic Earnings Per Share (EPS) is calculated by dividing net income attributable to common stockholders by the weighted average number of shares of Common Stock outstanding during the period.

Wayside Technology Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2014

(Amounts in tables in thousands, except share and per share amounts)

Diluted EPS is calculated by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding, adjusted for potentially dilutive securities including unexercised stock option grants and nonvested shares of restricted stock.

A reconciliation of the numerators and denominators of the basic and diluted per share computations follows:

	Six months ended June 30, 2014	2013	Three months ended June 30, 2014	2013
Numerator:				
Net income	$ 2,542	$ 2,560	$ 1,483	$ 1,540
Denominator:				
Weighted average shares (Basic)	4,601	4,464	4,664	4,451
Dilutive effect of outstanding options and non-vested shares of restricted stock	64	114	55	106
Weighted average shares including assumed conversions (Diluted)	4,665	4,578	4,719	4,557
Basic income per share	$ 0.55	$ 0.57	$ 0.32	$ 0.35
Diluted income per share	$ 0.54	$ 0.56	$ 0.31	$ 0.34

10. The Company had one major vendor that accounted for 11.5% and 13.2% of total purchases during the six months and three months, respectively, that ended June 30, 2014. The Company had two major vendors that accounted for 10.9% and 9.7% of total purchases during the six months ended June 30, 2013, and 13.5% and 10.9% of total purchases for the three months that ended June 30, 2013. The Company had three major customers that accounted for 16.7%, 15.1% and 11.1% of its total net sales during the six months ended June 30, 2014, and 17.5%, 14.5% and 11.5% of total net sales for the three months ended June 30, 2014. These same customers accounted for 12.5%, 14.5% and 9.0% of total net accounts receivable as June 30, 2014. The Company had three major customers that accounted for 15.0%, 13.9% and 12.0% of its total net sales during the six months ended June 30, 2013, and 15.6%, 13.3% and 12.6% of total net sales for the three months ended June 30, 2013.

11. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. The Company has identified its federal consolidated tax return and its state tax return in New Jersey and its Canadian tax return as major tax jurisdictions. As of June 30, 2014 the Company s Federal and Canadian tax returns remain open for examination for the years 2010 through 2013. The Company s New Jersey tax returns are open for examination for the years 2009 through 2013. The Company s policy is to recognize interest related to unrecognized tax benefits as interest expense and penalties as operating expenses. The Company believes that it has appropriate support for the income tax positions it takes and expects to take on its tax returns, and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter.

Wayside Technology Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2014

(Amounts in tables in thousands, except share and per share amounts)

The effective tax rate for each of the six and three months ended June 30, 2014 was 35.3% and 36.1% respectively, compared with 33.4% for both periods last year. The current year tax rate increase is primarily due to an increase in permanent differences between book and taxable income.

12. The 2012 Stock-Based Compensation Plan (the 2012 Plan) authorizes the grant of Stock Options, Stock Units, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses and other equity-based awards. The total number of shares of Common Stock initially available for award under the 2012 Plan was 600,000. As of June 30, 2014, the number of shares of Common stock available for future award grants to employees and directors under the 2012 Plan is 557,636.

The 2006 Stock-Based Compensation Plan (the 2006 Plan) authorizes the grant of Stock Options, Stock Units, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses, and other equity-based awards. The total number of shares of Common Stock initially available for award under the 2006 Plan was 800,000. As of June 30, 2014, there are no shares of Common Stock available for future award grants to employees and directors under the 2006 Plan.

During 2006, the Company granted a total of 315,000 shares of Restricted Stock to officers, directors and employees. Included in this grant were 200,000 Restricted Shares granted to the Company s CEO in accordance with his employment agreement. These 200,000 Restricted Shares vest over 40 equal quarterly installments. The remaining grants of Restricted Stock vest over 20 equal quarterly installments.

During 2007, the Company granted a total of 30,000 shares of Restricted Stock to officers, directors and employees. These shares of Restricted Stock vest over 20 equal quarterly installments. In 2007, a total of 12,500 shares of Restricted Stock were forfeited as a result of employees and officers terminating employment with the Company.

During 2008, the Company granted a total of 57,500 shares of Restricted Stock to officers and directors. These shares of Restricted Stock vest over 20 equal quarterly installments. In 2008, a total of 3,500 shares of Restricted Stock were forfeited as a result of employees terminating employment with the Company.

During 2009, the Company granted a total of 140,000 shares of Restricted Stock to officers and employees. These shares of Restricted Stock vest over 20 equal quarterly installments.

During 2010, the Company granted a total of 150,500 shares of Restricted Stock to officers and employees. These shares of Restricted Stock vest over 20 equal quarterly installments. In 2010, a total of 5,875 shares of Restricted Stock were forfeited as a result of employees and officers terminating employment with the Company.

During 2011, the Company granted a total of 15,000 shares of Restricted Stock to employees. These shares of Restricted Stock vest over 20 equal quarterly installments. In 2011, a total of 8,375 shares of Restricted Stock were forfeited as a result of employees terminating employment with the Company.

During 2012, the Company granted a total of 92,000 shares of Restricted Stock to officers, directors, and employees. These shares of Restricted Stock vest over 20 equal quarterly installments. A total of 3,525 shares of Restricted Stock were forfeited as a result of employees terminating employment with the Company.

Wayside Technology Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2014

(Amounts in tables in thousands, except share and per share amounts)

During 2013, the Company granted a total of 56,500 shares of Restricted Stock to officers and employees. Included in these grants were 40,000 Restricted Shares granted to the Company s CEO in accordance with the satisfaction of certain performance criteria included in his compensation plan. These 40,000 Restricted Shares vest over 16 equal quarterly installments. The remaining grants of Restricted Stock vest over 20 equal quarterly installments. A total of 775 shares of Restricted Stock were forfeited as a result of employees terminating employment with the Company.

During 2014, the Company granted a total of 45,689 shares of Restricted Stock to officers and employees. These shares of Restricted Stock vest between eight and twenty equal quarterly installments. A total of 25,275 shares of Restricted Stock were forfeited as a result of officers and employees terminating employment with the Company.

Changes during 2014 in options outstanding under the Company s combined plans (i.e., the 2012 Plan, the 2006 Plan, the 1995 Non-Employee Director Plan and the 1995 Stock Option Plan) were as follows:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life		Aggregate Intrinsic Value ($M)(1)
Outstanding at January 1, 2014	285,640	$	8.71			
Granted in 2014						
Canceled in 2014	(15,000)		3.04			
Exercised in 2014	(220,000)		8.14			
Outstanding at June 30, 2014	50,640	$	12.85	0.8	$	0.1
Exercisable at June 30, 2014	50,640	$	12.85	0.8	$	0.1

(1) The intrinsic value of an option is calculated as the difference between the market value on the last trading day of the quarter (June 30, 2014) and the exercise price of the outstanding options. The market value as of June 30, 2014 was $15.35 per share represented by the closing price as reported by The NASDAQ Global Market on that day.

A summary of nonvested shares of Restricted Stock awards outstanding under the Company s the 2012 Plan and 2006 Plan as of June 30, 2014, and changes during the six months then ended is as follows:

	Shares		Weighted Average Grant Date Fair Value
Nonvested shares at January 1, 2014	199,550	$	12.02

Granted in 2014	45,689		15.12
Vested in 2014	(51,942)		11.23
Forfeited in 2014	(25,275)		11.28
Nonvested shares at June 30, 2014	168,022	$	12.99

As of June 30, 2014, there is approximately $2.2 million of total unrecognized compensation costs related to nonvested share-based compensation arrangements. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.7 years.

Wayside Technology Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2014

(Amounts in tables in thousands, except share and per share amounts)

For the six months ended June 30, 2014 and 2013, the Company recognized share-based compensation cost of $575,000 and $551,000 respectively, which is included in the Company s general and administrative expense.

13. FASB ASC Topic 280, Segment Reporting, requires that public companies report profits and losses and certain other information on their reportable operating segments in their annual and interim financial statements. The internal organization used by the public company s Chief Operating Decision Maker (CODM) to assess performance and allocate resources determines the basis for reportable operating segments. The Company s CODM is the Chief Executive Officer.

The Company is organized into two reportable operating segments. The Lifeboat Distribution segment distributes technical software to corporate resellers, value added resellers (VARs), consultants and systems integrators worldwide. The TechXtend segment is a value-added reseller of software, hardware and services for corporations, government organizations and academic institutions in the United States and Canada.

As permitted by FASB ASC Topic 280, the Company has utilized the aggregation criteria in combining its operations in Canada with the domestic segments as the Canadian operations provide the same products and services to similar clients and are considered together when the Company s CODM decides how to allocate resources.

Segment income is based on segment revenue less the respective segment s cost of revenues as well as segment direct costs (including such items as payroll costs and payroll related costs, such as profit sharing, incentive awards and insurance) and excluding general and administrative expenses not attributed to an individual segment business unit. The Company only identifies accounts receivable and inventory by segment as shown below as Selected Assets by segment; it does not allocate its other assets, including capital expenditures by segment.

The following segment reporting information of the Company is provided:

	Six months ended June 30,		Three months ended June 30,	
	2014	**2013**	**2014**	**2013**
Revenue:				
Lifeboat Distribution	$ 129,237	$ 115,078	$ 69,979	$ 61,209
TechXtend	26,892	24,997	14,420	12,886
	156,129	140,075	84,399	74,095
Gross Profit:				
Lifeboat Distribution	$ 8,728	$ 8,284	$ 4,612	$ 4,511

TechXtend		2,949		2,994		1,527		1,454
		11,677		11,278		6,139		5,965
Direct Costs:								
Lifeboat Distribution	$	2,479	$	2,350	$	1,248	$	1,245
TechXtend		1,595		1,654		801		765
		4,074		4,004		2,049		2,010
Segment Income:								
Lifeboat Distribution	$	6,249	$	5,934	$	3,364	$	3,266
TechXtend		1,354		1,340		726		689
Segment Income		7,603		7,274		4,090		3,955
General and administrative	$	3,928	$	3,727	$	1,908	$	1,804
Interest, net		255		276		132		146
Foreign currency translation (loss) gain		(4)		21		8		16
Income before taxes	$	3,926	$	3,844	$	2,322	$	2,313

[redacted]

Selected Assets By Segment:		
Lifeboat Distribution	$	32,284
TechXtend		36,933
Segment Select Assets		69,217
Corporate Assets		16,632
Total Assets	$	85,849

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following Management s Discussion and Analysis of Financial Condition and Results of Operations contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of risk and uncertainties, including those set forth under the heading Certain Factors Affecting Results of Operations and Stock Price and elsewhere in this report and those set forth in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission. The following discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes included in this report and the consolidated financial statements and related notes included in our 2013 Annual Report on Form 10-K.

Overview

The Company is organized into two reportable operating segments. The Lifeboat Distribution segment distributes technical software to corporate resellers, value added resellers (VARs), consultants and systems integrators worldwide. The TechXtend segment is a value-added reseller of software, hardware and services for corporations, government organizations and academic institutions in the USA and Canada.

We offer an extensive line of products from leading publishers of software and tools for virtualization/cloud computing, security, networking, storage and infrastructure management, application lifecycle management and other technically sophisticated domains as well as computer hardware. We market these products through direct sales, the Internet, our catalogs, direct mail programs, advertisements in trade magazines and e-mail promotions.

The Company s sales, gross profit and results of operations have fluctuated and are expected to continue to fluctuate on a quarterly basis as a result of a number of factors, including but not limited to: the condition of the software industry in general, shifts in demand for software products, pricing, level of extended payment terms sales transactions, industry shipments of new software products or upgrades, the timing of new merchandise and catalog offerings, fluctuations in response rates, fluctuations in merchandise returns, adverse weather conditions that affect response, distribution or shipping, shifts in the timing of holidays and changes in the Company s product offerings. The Company s operating expenditures are based on sales forecasts. If sales do not meet expectations in any given quarter, operating results may be materially adversely affected.

Results of Operations

The following table sets forth for the periods indicated certain financial information derived from the Company s unaudited condensed consolidated statements of earnings expressed as a percentage of net sales. This comparison of financial results is not necessarily indicative of future results:

	Six months ended June 30,		Three months ended June 30,	
	2014	2013	2014	2013
Net sales	100%	100%	100%	100%
Cost of sales	92.5	92.0	92.7	91.9
Gross profit	7.5	8.0	7.3	8.1
Selling, general and administrative expenses	5.1	5.5	4.7	5.1
Income from operations	2.4	2.5	2.6	3.0
Interest income, net	.1	.2	0.2	0.1
Realized foreign currency exchange gain				
Income before income taxes	2.5	2.7	2.8	3.1
Provision for income taxes	0.9	0.9	1.0	1.0
Net income	1.6%	1.8%	1.8%	2.1%

Net Sales

Net sales for the second quarter ended June 30, 2014 increased 14% or $10.3 million to $84.4 million compared to $74.1 million for the same period in 2013. Total sales for the second quarter of 2014 for our Lifeboat Distribution segment were $70.0 million compared to $61.2 million in the second quarter of 2014, representing an increase of $8.8 million or 14%. Total sales for the second quarter of 2014 for our TechXtend segment were $14.4 million compared to $12.9 million in the second quarter of 2013, representing a increase of $1.5 million or 12%.

The 14% increase in net sales for the Lifeboat Distribution segment was mainly a result of the strengthening of our account penetration, our continued focus on the expanding virtual infrastructure-centric business and the addition of several key product lines. The 12% increase in net sales in the TechXtend segment was primarily due an increase in extended payment terms sales transactions as compared to the second quarter ended June 30, 2013.

For the six months ended June 30, 2014, net sales increased 11% or $16.1 million to $156.1 million compared to $140.1 million for the same period in 2013. Net sales for the six months ended June 30, 2014 for our Lifeboat segment increased 12% or $14.2 million to $129.2 million compared to $115.1 million for the same period in 2013.   Net sales for the six months ended June 30, 2014 for our TechXtend segment increased 8% or $1.9 million to $26.9 million compared to $25.0 million for the same period in 2013.

The 12% increase in net sales from our Lifeboat segment in the first six months of 2014 compared to the same period in 2013 was mainly a result of our continued focus on the expanding virtual infrastructure-centric business, the addition of several key product lines, and the strengthening of our account penetration. The 8% increase in net sales in the TechXtend segment was primarily due to an increase in extended payment terms sales transactions as compared to the same period in 2013.

Gross Profit

Gross Profit for the second quarter ended June 30, 2014 was $6.1 million, a 3% increase as compared to $6.0 million for the second quarter of 2013. Gross profit for our Lifeboat segment in the second quarter of 2014 was $4.6 million compared to $4.5 million for the second quarter of 2013, representing a 2% increase. Gross profit for our TechXtend segment of $1.5 million in the second quarter of 2014 was $1.5 million was essentially flat as compared to the second quarter of 2013.

For the six months ended June 30, 2014 gross profit increased 4% or $0.4 million to $11.7 million compared to $11.3 million for the same period in 2013. Lifeboat s gross profit for the six months ended June 30, 2014 increased 5% to $8.7 million as compared to $8.3 million for the first six months of 2013. The increase in gross profit for the Lifeboat segment was primarily due to higher sales volume. TechXtend gross profit for the six months ended June 30, 2014 decreased by 2% to $2.9 million as compared to $3.0 million for the first six months of 2013. The decrease in gross profit margin for the TechXtend segment was primarily caused by the increase in larger extended payment term sales transactions which typically carry lower margins.

Gross profit margin (gross profit as a percentage of net sales) for the second quarter ended June 30, 2014 was 7.3% compared to 8.1% for the second quarter of 2013. Gross profit margin for the six months ended June 30, 2014 was 7.5% compared to 8.1% in the same period in 2013. Gross profit margin for our Lifeboat segment for the second quarter of 2014 was 6.6% compared to 7.4% for the second quarter of 2013. The decrease in gross profit margin for the Lifeboat Distribution segment was primarily caused by competitive pricing pressure. Gross profit margin for our TechXtend segment for the second quarter of 2014 was 10.6% compared to 11.3% for the second quarter of 2013. The decrease in gross profit margin for the TechXtend segment was primarily caused by the increase in larger extended payment term sales transactions which typically carry lower margins.

Vendor rebates and discounts for the six month period ended June 30, 2014 amounted to $0.8 million compared to $0.7 million for the six month period ended June 30, 2013. Vendor rebates are dependent on reaching certain targets set by our vendors. Vendors have been periodically substantially increasing their target revenues for rebate eligibility. The Company monitors gross profits and gross profit margins carefully. Price competition in our market continued to intensify in 2014, with competitors lowering their prices significantly and the Company responded immediately. We anticipate that margins, as well as discounts and rebates, for the remainder of the year will continue to be affected by this current trend. To the extent that the Company finances larger transactions with extended payment terms, as anticipated, gross margins also will be negatively impacted.

Selling, General and Administrative Expenses

Total selling, general, and administrative (SG&A) expenses for the second quarter of 2014 were $4.0 million compared to $3.8 million for the second quarter of 2013, representing a increase of $0.1 million or 3.7%. This increase is primarily the result of an increase in employee and employee related expenses (salaries, commissions, bonus accruals and benefits) and occupancy expenses in 2014 compared to 2013. As a percentage of net sales, SG&A expenses for the second quarter of 2014 were 4.7% compared to 5.1% for the second quarter of 2013.The decline in SG&A as a percentage of net sales is the result of the increase in net sales.

For the six months ended June 30, 2014, SG&A expenses were $8.0 million compared to $7.7 million in the same period in 2013, representing an increase of $0.3 million or 4%. This increase is primarily the result of an increase in employee and employee related expenses (salaries, commissions, bonus accruals and benefits) in 2014 compared to 2013. As a percentage of net sales, SG&A expenses for the six months ended June 30, 2014 were 5.1% compared to 5.5% for the six months ended June 2013. The decline in SG&A as a percentage of net sales is the result of the increase in net sales.

Direct selling costs (a component of SG&A) for the second quarter of 2014 were $2.1 million compared to $2.0 million for the second quarter of 2013. Total direct selling costs for our Lifeboat Distribution segment for the second quarter of 2014 were $1.3 million compared to $1.2 million for the same period in 2013. Total direct selling costs for our TechXtend segment for the second quarter of 2014 were $0.8 million compared to $0.8 million for the same period in 2013.

The Company expects that its SG&A expenses, as a percentage of net sales, may vary by quarter depending on changes in sales volume, and levels of continuing investments in employee headcount and marketing. We continue to monitor our SG&A expenses closely.

Income Taxes

For the three months ended June 30, 2014, the Company recorded a provision for income taxes of $.8 million or 36.1% of income, compared to $.8 million or 33.4% of income for the same period in 2013. The current year tax rate increase is primarily due to an increase in permanent differences between book and taxable income.

For the six months ended June 30, 2014, the Company recorded a provision for income taxes of $1.4 million or 35.3% of income, compared to $1.3 million or 33.4% of income for the same period in 2013. The current year tax rate increase is primarily due to an increase in permanent differences between book and taxable income.

Liquidity and Capital Resources

During the first three months of 2014 our cash and cash equivalents decreased by $4.9 million to $14.7 million at June 30, 2014, from $19.6 million at December 31, 2013. During the first six months of 2014, net cash used in operating activities amounted to $5.2 million, net cash used in investing activities amounted to $0.1 million and net cash provided by financing activities amounted to $0.5 million.

Net cash used in operating activities in the first six months of 2014 was $5.2 million and primarily resulted from a $12.5 million decrease in accounts payable partially offset by $3.2 million in net income excluding non-cash charges, and $2.8 million decrease in accounts receivable and a decrease of $1.1 million in prepaid and other current assets. The decreases in accounts receivable and account payable and accrued expenses were mainly due to lower sales volume, including sales on extended payment terms, in the second quarter of 2014 compared to the fourth quarter of 2013.

Net cash used in investing activities in the first six months of 2014 amounted to $0.1 million. This was the result of capital expenditures of $0.1 million.

Net cash provided by financing activities in the first three months of 2014 amounted to $0.5 million. This consisted primarily of proceeds from stock option exercises of $1.8 million and the tax benefit from share based compensation of $0.7 million offset by dividends paid of $1.6 million and treasury stock repurchased of $0.3 million.

The Company s current and anticipated use of its cash and cash equivalents is, and will continue to be, to fund working capital, operational expenditures, the Common Stock repurchase program and dividends if declared by the board of directors.

We believe that the funds held in cash and cash equivalents and our unused borrowings on our credit facility will be sufficient to fund our working capital and cash requirements for at least the next 12 months.

Contractual Obligations as of June 30, 2014 are summarized as follows:

Payment due by Period	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt obligations					
Capital Lease obligations					
Operating Lease obligations (1)	$ 441	$ 266	$ 175		
Purchase Obligations					
Other Long term Obligations reflected on the Company s					
Balance Sheet under GAAP					
Total Contractual Obligations	$ 441	$ 266	$ 175		

(1) Operating leases relate primarily to the leases of the space used for our operations in Shrewsbury, New Jersey, Mississauga, Canada and Almere, Netherlands. The commitments for operating leases include the minimum rent payments.

As of June 30, 2014, the Company is not committed by lines of credit or standby letters of credit, and has no standby repurchase obligations or other commercial commitments (see Note 7 in the Notes to our Consolidated Financial Statements).

Foreign Exchange

The Company s Canadian business is subject to changes in demand or pricing resulting from fluctuations in currency exchange rates or other factors. We are subject to fluctuations primarily in the Canadian Dollar-to-U.S. Dollar exchange rate.

Off-Balance Sheet Arrangements

As of June 30, 2014, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Critical Accounting Policies and Estimates

Management s discussion and analysis of the Company s financial condition and results of operations are based upon the Company s consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company recognizes revenue from the sale of software and hardware for microcomputers, servers and networks upon shipment or upon electronic delivery of the product. The Company expenses the advertising costs associated with producing its catalogs. The costs of these catalogs are expensed in the same month the catalogs are mailed.

On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, investments, intangible assets, income taxes, stock-based compensation, contingencies and litigation.

The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Company believes the following critical accounting policies, used in the preparation of its unaudited condensed consolidated financial statements, affect its more significant judgments and estimates.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-offs may be required.

The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance related to deferred tax assets. In the event the Company was to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

Under the fair value recognition provision stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense as it is amortized on a straight-line basis over the requisite service period, which is the vesting period. We make certain assumptions in order to value and expense our various share-based compensation awards. In connection with valuing stock options, we use the Black-Scholes model, which requires us to consider certain facts and to estimate certain subjective assumptions. The key facts and assumptions we consider are: (i) the expected volatility of our Common Stock; (ii) the expected term of the award; and (iii) the expected forfeiture rate. In connection with our restricted stock program we make assumptions principally related to the forfeiture rate. We review our valuation assumptions periodically and, as a result, we may change our valuation assumptions used to value stock based awards granted in future periods. Such changes may lead to a significant change in the expense we recognize in connection with share-based payments.

Certain Factors Affecting Results of Operations and Stock Price

This report includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Statements in this report regarding future events or conditions, including but not limited to statements regarding industry prospects and the Company s expected financial position, results of operations, business and financing plans, are forward-looking statements. These statements can be identified by forward-looking words such as may, will, expect, intend, anticipate, believe, estimate, and con similar words.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Substantial risks and uncertainties unknown at this time could cause actual results to differ materially from those indicated by such forward-looking statements, including, but not limited to, the continued acceptance of the Company s distribution channel by vendors and customers, the timely availability and acceptance of new products, product mix, market conditions, competitive pricing pressures, contribution of key vendor relationships and support programs, including vendor rebates and discounts, as well as factors that affect the software industry in general and other factors generally. We strongly urge current and prospective investors to carefully consider the cautionary statements and risk factors contained in this report and our annual report on Form 10-K for the year ended December 31, 2013.

The Company operates in a rapidly changing business, and new risk factors emerge from time to time. Management cannot predict every risk factor, nor can it assess the impact, if any, of all such risk factors on the Company s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements.

Accordingly, forward-looking statements should not be relied upon as a prediction of actual results and readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The statements concerning future sales, future gross profit margin and future selling and administrative expenses are forward looking statements involving certain risks and uncertainties such as availability of products, product mix, pricing pressures, market conditions and other factors, which could result in a fluctuation of sales below recent experience.

Stock Volatility. The technology sector of the United States stock markets has experienced substantial volatility in recent periods. Numerous conditions which impact the technology sector or the stock market in general or the Company in particular, whether or not such events relate to or reflect upon the Company s operating performance, could adversely affect the market price of the Company s Common Stock. Furthermore, fluctuations in the Company s operating results, announcements regarding litigation, the loss of a significant vendor, increased competition, reduced vendor incentives and trade credit, higher postage and operating expenses, and other developments, could have a significant impact on the market price of the Company s Common Stock.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In addition to its activities in the United States, 7.4% of the Company sales during the six months ended June 30, 2014 was generated in Canada. We are subject to general risks attendant to the conduct of business in Canada, including economic uncertainties and foreign government regulations. In addition, the Company s Canadian business is subject to changes in demand or pricing resulting from fluctuations in currency exchange rates or other factors. See *Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Foreign Currency Transactions Gain (Loss).*

The Company s cash balance is invested in short-term savings accounts with our primary banks, Citibank, and JPMorgan Chase Bank. As such, we believe that the risk of significant changes in the value of our cash invested is minimal.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As required by Rule 13a-15(b) under the Exchange Act, our management carried out an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures , as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of various members of our management, including our Company s President, Chairman of the Board and Chief Executive Officer (principal executive officer) and Vice President of Accounting and Reporting and Interim Chief Financial Officer (principal financial officer). Based upon that evaluation, the Company s Chief Executive Officer and Interim Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective, as of the end of the period covered by this report, to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and is accumulated and communicated to the Company s management, including the Company s Chief Executive Officer and Interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act, that occurred during the quarter ended June 30, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth the repurchase of Common Stock by the Company and its affiliated purchasers during the second quarter of 2014.

ISSUER PURCHASE OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid Per Share (3)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (4)(5)
April 1, 2014- April 30, 2014		$		$	214,947
May 1, 2014- May 31, 2014	8,267(1)	15.92			214,947
June 1, 2014- June 30, 2014					214,947
Total	8,267	$ 15.92		$	214,947

(1) Includes 8,267 shares surrendered to the Company by employees to satisfy individual tax withholding obligations upon vesting of previously issued shares of Restricted Stock. These shares are not included in the Common Stock repurchase program referred to in footnote (4) below.

(2) Average price paid per share reflects the closing price the Company s Common Stock on the business date the shares were surrendered by the employee stockholder to satisfy individual tax withholding obligations upon vesting of Restricted Stock or the price of the Common Stock paid on the open market purchase, as applicable.

(3) Average price paid per share reflects the price of the Company s Common Stock purchased on the open market.

(4) On July 31, 2008, the Company approved the increase of its Common Stock repurchase program by an additional 500,000 shares. The Company expects to purchase shares of its Common Stock from time to time in the market or otherwise subject to market conditions. The Common Stock repurchase program does not have an expiration date.

(5) On October 23, 2012, the Board of Directors of the Company approved, and on October 29, 2012, the Company entered into a written purchase plan intended to comply with the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the Plan). Purchases involving shares of the Company s Common Stock under the Plan may take place commencing October 29, 2012, and the Plan is

intended to be in effect until October 29, 2014. Pursuant to the Plan, the Company s broker shall effect purchases of up to an aggregate of 350,000 shares of Common Stock.

Item 6. Exhibits

(a) Exhibits

31.1 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Simon F. Nynens, the Chief Executive Officer (principal executive officer) of the Company.

31.2 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Kevin T. Scull, the Interim Chief Financial Officer (principal financial officer) of the Company.

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Simon F. Nynens, the Chief Executive Officer (principal executive officer) of the Company.

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Kevin T. Scull, the Interim Chief Financial Officer (principal financial officer) of the Company.

101 The following financial information from Wayside Technology Group, Inc. s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, filed with the SEC on August 4, 2014, formatted in XBRL (Extensible Business Reporting Language) includes: (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Earnings, (3) Condensed Consolidated Statements of Stockholders Equity, (4) Condensed Consolidated Statements of Comprehensive Income, (5) Condensed Consolidated Statements of Cash Flows, and (6) the Notes to the Unaudited Condensed Consolidated Financial Statements,.

SIGNATURES

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

		WAYSIDE TECHNOLOGY GROUP, INC
August 4, 2014	By:	/ s/ Simon F. Nynens
Date		Simon F. Nynens, Chairman of the Board, President and Chief Executive Officer
August 4 , 2014	By:	/s/Kevin T. Scull
Date		Kevin T. Scull, Vice President Accounting and Reporting Interim Chief Financial Officer