

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

FORM 10-Q

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

For the quarterly period ended June 30, 2008

OR

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

For the transition period from _____ to _____

Commission File No. 000-26408

Wayside Technology Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3136104

(I.R.S. Employer Identification No.)

1157 Shrewsbury Avenue, Shrewsbury, New Jersey 07702

(Address of principal executive offices)

(732) 389-8950

Registrant's Telephone Number

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

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

Check One:

Large Accelerated Filer ☐	Accelerated Filer ☐
Non-Accelerated Filer ☐	Smaller Reporting Company ☒

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

There were 4,698,893 outstanding shares of Common Stock, par value \$.01 per share, as of August 8, 2008, not including 585,607 shares classified as treasury stock.

PART I - FINANCIAL INFORMATION
WAYSIDE TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$12,764	\$14,241
Marketable securities	9,767	9,641
Accounts receivable, net of allowances of \$832 and \$908, respectively	26,086	24,824
Inventory - finished goods	1,368	1,116
Prepaid expenses and other current assets	988	927
Deferred income taxes	772	830
Total current assets	51,745	51,579
Equipment and leasehold improvements, net	720	619
Other assets	4,647	3,469
Deferred income taxes	948	1,086
Total assets	\$58,060	\$56,753
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$34,049	\$32,100
Other liabilities	148	161
Total liabilities	34,197	32,261
Commitments and contingencies		
Stockholders' equity		
Common stock, \$.01 par value; 10,000,000 shares authorized, 5,284,500 shares issued; 4,675,651 and 4,708,498 shares outstanding, respectively	53	53
Additional paid-in capital	27,610	28,860
Treasury stock, at cost, 608,849 and 576,002 shares, respectively	(3,029)	(2,283)
Accumulated deficit	(1,147)	(2,599)
Accumulated other comprehensive income	376	461
Total stockholders' equity	23,863	24,492
Total liabilities and stockholders' equity	\$58,060	\$56,753

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

WAYSIDE TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(In thousands, except per share data)

	Six months ended		Three months ended	
	<u>June 30</u>		<u>June 30</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net sales	\$88,602	\$90,962	\$48,096	\$44,040
Cost of sales	<u>80,559</u>	<u>82,170</u>	<u>43,798</u>	<u>39,703</u>
Gross profit	8,043	8,792	4,298	4,337
Selling, general and administrative expenses	<u>6,016</u>	<u>6,036</u>	<u>3,074</u>	<u>2,993</u>
Income from operations	2,027	2,756	1,224	1,344
Interest income, net	376	491	142	251
Realized foreign exchange gain	<u>7</u>	<u>-</u>	<u>4</u>	<u>1</u>
Income before income tax provision	2,410	3,247	1,370	1,596
Provision for income taxes	<u>958</u>	<u>1,298</u>	<u>547</u>	<u>637</u>
Net income	<u>\$1,452</u>	<u>\$1,949</u>	<u>\$823</u>	<u>\$959</u>
Net income per common share - Basic	<u>\$0.33</u>	<u>\$0.44</u>	<u>\$0.19</u>	<u>\$0.22</u>
Net income per common share - Diluted	<u>\$0.32</u>	<u>\$0.42</u>	<u>\$0.18</u>	<u>\$0.20</u>
Weighted average common shares outstanding-Basic	<u>4,429</u>	<u>4,380</u>	<u>4,417</u>	<u>4,407</u>
Weighted average common shares outstanding-Diluted	<u>4,519</u>	<u>4,687</u>	<u>4,505</u>	<u>4,706</u>

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

Wayside Technology Group, Inc. and Subsidiaries
Statement of Stockholders' Equity and Comprehensive Income
(Dollars in thousands, except share amounts)
(Unaudited)

	Accumulated Other							
	Common Stock		Additional Paid-In Capital	Treasury		Accumulated Deficit	Comprehensive Income	Total
	Shares	Amount		Shares	Amount			
Balance at January 1, 2008	5,284,500	\$53	\$28,860	576,002	\$(2,283)	\$(2,599)	\$461	\$24,492
Net income						1,452		1,452
Other comprehensive income (loss):								
Translation adjustment							(71)	(71)
Unrealized loss on available-for-sale securities							(14)	(14)
Comprehensive income								1,367
Dividends paid			(1,413)					(1,413)
Exercise of stock options			(19)	(15,000)	51			32
Share based compensation expense			367					367
Restricted stock grants			(185)	(54,000)	185			-
Treasury shares repurchased				101,847	(982)			(982)
Balance at June 30, 2008	5,284,500	\$53	\$27,610	608,849	\$(3,029)	\$(1,147)	\$376	\$23,863

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

WAYSIDE TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six months ended	
	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Net income	\$1,452	\$1,949
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	169	151
Bad debt expense	58	
Deferred income taxes	195	767
Share-based compensation expense	367	302
Changes in operating assets and liabilities:		
Accounts receivable	(2,624)	7,063
Inventory	(254)	(371)
Prepaid expenses and other current assets	(62)	(31)
Accounts payable and accrued expenses	2,065	(9,822)
Net change in other assets and liabilities	(15)	(14)
Net cash provided by (used) in operating activities	<u>1,351</u>	<u>(6)</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(9,840)	(10,470)
Redemptions of available-for-sale securities	9,700	8,088
Capital expenditures	(268)	(297)
Net cash used in investing activities	<u>(408)</u>	<u>(2,679)</u>
Cash flows from financing activities:		
Dividend paid		
Proceeds from exercise of stock options	(1,413)	(1,284)
Treasury stock repurchased	32	737
Tax benefit from stock option exercises	(982)	(97)
Net cash used in financing activities	<u>-</u>	<u>364</u>
	<u>(2,363)</u>	<u>(280)</u>
Effect of foreign exchange rate on cash	<u>(57)</u>	<u>162</u>
Net decrease in cash and cash equivalents	(1,477)	(2,803)
Cash and cash equivalents at beginning of period	<u>14,241</u>	<u>13,832</u>
Cash and cash equivalents at end of period	<u>\$12,764</u>	<u>\$11,029</u>

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

WAYSIDE TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2008

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 for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

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. On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, investments, intangible assets, income taxes, 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. 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. Actual results may differ from these estimates under different assumptions or conditions. The unaudited 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, 2007.

2. In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"), which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles ("GAAP") in the United States. The FASB believes that the GAAP hierarchy should be directed to entities because it is the entity (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. The Company does not expect the adoption of SFAS No. 162 to have a material effect on its condensed consolidated financial statements.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities" ("EITF 03-6-1"). EITF 03-6-1 applies to the calculation of earnings per share for share-based payment awards with rights to dividends or dividend equivalents under Statement No. 128, Earnings Per Share. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents will be considered participating securities and will be included in the computation of earnings per share pursuant to the two-class method. The effective date of EITF 03-6-1 is for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those years. Early adoption is not permitted. Once effective, all prior period earnings per share data presented will be adjusted retrospectively. The Company is currently evaluating the potential impact, if any, the adoption of EITF 03-6-1 may have on its condensed consolidated financial statements.

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141 (revised 2007) "SFAS No. 141." SFAS No. 141 (revised 2007) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141 (revised 2007) will become effective for the fiscal year beginning after December 15, 2008.

In December 2007, the FASB issued "SFAS No. 160" "Noncontrolling Interests in Consolidated Financial Statements- an amendment of ARB No. 51." SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 will become effective for the fiscal year beginning after December 15, 2008. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). SFAS No. 159 allows entities the option to measure eligible financial instruments at fair value as of specified dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. SFAS No. 159 is effective for our Company beginning January 1, 2008, for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. The adoption of SFAS 159 did not have a material impact on our consolidated financial position, results of operations or cash flows.

3. Assets and liabilities of the Company's Canadian subsidiary have been translated at current exchange rates, and related revenues and expenses have been translated at average rates of exchange in effect during the period. The revenue from our Canadian operations in the first six months of 2008 was \$11.8 million as compared to \$11.5 million for the first six months of 2007. The revenue from our Canadian operations for the second quarter of 2008 was \$5.8 million as compared to \$5.5 million for the second quarter of 2007.

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 Statement No. 130, "Reporting Comprehensive Income."

5. The Company records revenues from sales transactions when title to products sold passes to the customer. Usual sales terms are FOB shipping point, at which time title and risk of loss has passed to the customer and delivery has occurred. Revenue is recognized in accordance with Statements of Position ("SOP") 97-2 "Software Revenue Recognition," Staff Accounting Bulletin ("SAB") No. 101 and No. 104, "Revenue Recognition" and Emerging Issues Task Force ("EITF") 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." The majority of the Company's revenues relates to physical products and is recognized on a gross basis with the selling price to the customer recorded as net sales with the acquisition cost of the product to the Company recorded as cost of sales. At the time of sale, the Company also records an estimate for sales returns based on historical experience. Certain software maintenance products, third party services and extended warranties sold by the Company (for which the Company is not the primary obligor) are recognized on a net basis. Accordingly, such revenues are recognized in net sales either at the time of sale or over the contract period, based on the nature of the contract, at the net amount retained by the Company, with no cost of goods sold.

6. 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 net sales in accordance with EITF 02-16 "Accounting by a customer (including reseller) for certain consideration received from a vendor."

7. Investments in available-for-sale securities at June 30, 2008 were (in thousands):

	Cost	Market value	Unrealized Loss
U.S. Government Securities	\$9,013	\$9,011	\$(2)
Certificates of Deposit	<u>760</u>	<u>756</u>	<u>(4)</u>
	\$9,773	\$9,767	\$(6)

The cost and market value of the Company's investments at June 30, 2008 by contractual maturity were (in thousands):

	Cost	Estimated Fair Value
Due in one year or less	\$9,773	\$9,767

Investments in available-for-sale securities at December 31, 2007 were (in thousands):

	Cost	Market value	Unrealized Gain
U.S. Government Securities	\$9,633	\$9,641	\$8

The cost and market value of the Company's investments at December 31, 2007 by contractual maturity were (in thousands):

	Cost	Estimated Fair Value
Due in one year or less	\$9,633	\$9,641

8. Balance Sheet Detail - Other Assets (in thousands):

Other assets consisted of the following at June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
Accounts Receivable - long-term	\$4,581	\$3,402
Security Deposits	56	56
Trademarks	10	11
Total	<u>\$4,647</u>	<u>\$3,469</u>

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 from 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. The current portion of these long-term accounts receivable included in the current portion of accounts receivable at June 30, 2008 and December 31, 2007 is \$3,875 and \$3,702 respectively.

Accounts payable and accrued expenses consist of the following as of June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
Trade accounts payable	\$32,826	\$30,597
Other accrued expenses	1,223	1,503
	<u>\$34,049</u>	<u>\$32,100</u>

9. Basic EPS is computed by dividing net income by the weighted average number of shares outstanding during the period. Diluted EPS is computed considering the potentially dilutive effect of outstanding stock options and nonvested shares of restricted stock. A reconciliation of the numerators and denominators of the basic and diluted per share computations follows (in thousands, except per share data):

	Six months ended June 30,		Three months ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Numerator:				
Net income	\$1,452	\$1,949	\$823	\$959
Denominator:				
Weighted average shares (Basic)	4,429	4,380	4,417	4,407
Dilutive effect of outstanding options and nonvested shares of restricted stock	<u>90</u>	<u>307</u>	<u>88</u>	<u>299</u>
Weighted average shares including assumed conversions (Diluted)	<u>4,519</u>	<u>4,687</u>	<u>4,505</u>	<u>4,706</u>
Basic net income per share	\$0.33	\$0.44	\$0.19	\$0.22
Diluted net income per share	\$0.32	\$0.42	\$0.18	\$0.20

The diluted earnings per share calculation for the six months ended June 30, 2008 excluded 55,640 shares related to options as the exercise prices of these options were greater than the weighted average of the closing prices of our Common Stock for each trading day during the quarter ended June 30, 2008, and excluded 293,000 shares of nonvested restricted stock as such shares were not vested as of June 30, 2008. For the six months ended June 30, 2007 no shares were excluded.

10. The Company had two major vendors that accounted for 29.2% and 10.1% of total purchases during the six months ended June 30, 2008 and 31.8% and 10.6%, respectively, for the three months then ended. The Company had one major vendor that accounted for 46.6% and 40.9%, respectively, of total purchases during the six and three months ended June 30, 2007. The Company had one major customer that accounted for 10.2% and 9.6% of total net sales, respectively, during the six and three months ended June 30, 2008, and 13.8% of total net accounts receivable as of June 30, 2008. That same major customer accounted for 13.5% and 7.2% of total net sales, respectively, during the six and three months ended June 30, 2007.

11. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2004. The Company's policy is to recognize interest related to unrecognized tax benefits as interest expense and penalties as operating expenses. Accrued interest is insignificant and there are no penalties accrued at June 30, 2008. The Company believes that it has appropriate support for the income tax positions taken and to be taken 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.

The provision consists of the following (in thousands):

	Six months ended June 30,		Three months ended June 30,	
	2008	2007	2008	2007
Current:				
Federal	\$539	\$310	\$323	\$149
State	96	55	61	26
Canada	128	115	59	54
	<u>763</u>	<u>480</u>	<u>443</u>	<u>229</u>
Deferred tax expense	195	818	104	408
	<u>\$958</u>	<u>\$1,298</u>	<u>\$547</u>	<u>\$637</u>

The effective tax rate for the six and three months ended June 30, 2008 and June 30, 2007, respectively, was 40%.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Federal, State and Foreign Tax
Balance at January 1,2008	\$230
Additions based on tax positions related to current year	-
Gross Unrecognized Tax Benefit at June 30,2008	\$230
Net Unrecognized Tax Benefit at June 30,2008	\$78

The net Unrecognized Tax Benefit is included as a component of Other Liabilities within the Consolidated Balance Sheet.

12. In accordance with SFAS No. 123(R), "Share-Based Payment," recognized compensation cost for the six months ended June 30, 2008 and 2007 includes 1) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement 123; and 2) compensation cost for all share-based payments granted on or after January 1, 2006, based on the grant date fair value estimated in accordance with Statement 123(R).

At the annual stockholders' meeting held on June 14, 2006, the Company's stockholders approved the 2006 Stock-Based Compensation Plan (the "2006 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 under the 2006 Plan was 800,000. As of June 30, 2008, the number of shares of common stock available for future award grants to employees and directors under this plan is 413,500.

During 2006, the Company granted a total of 315,000 shares of restricted common 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 120 months. The remaining 115,000 shares granted vest over 60 months.

During 2007, the Company granted a total of 30,000 shares of restricted stock to officers, directors and employees. These shares vest over 60 months. A total of 12,500 shares of restricted common stock were forfeited as a result of employees and officers terminating employment with the Company.

In February 2008, the Company granted a total of 57,500 shares of restricted stock to officers and directors. These shares vest over 60 months. A total of 3,500 shares of restricted common stock were forfeited as a result of employees terminating employment with the Company.

Changes during 2008 in options outstanding for the Company's combined plans were as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (\$000's)(1)
Outstanding at January 1, 2008	442,890	\$7.85		
Granted in 2008	-	-		
Forfeited in 2008	(5,000)	\$12.85		
Exercised in 2008	(15,000)	\$2.13		\$0.1
Outstanding at June 30, 2008	<u>422,890</u>	<u>\$8.00</u>	<u>5.3</u>	<u>\$0.3</u>
Exercisable at June 30, 2008	<u>422,890</u>	<u>\$8.00</u>	<u>5.3</u>	<u>\$0.3</u>

(1) The intrinsic value is calculated as the difference between the market value on the last trading day of the quarter June 30, 2008 and the exercise price of the shares. The market value as of June 30, 2008 was \$7.82 as reported by The NASDAQ Global Market.

A summary of nonvested shares of restricted stock awards outstanding under the Company's 2006 Plan as of June 30, 2008, and changes during the six months then ended is as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested shares at January 1, 2008	267,250	\$13.47
Granted in 2008	57,500	10.68
Vested in 2008	(28,250)	13.00
Forfeited in 2008	<u>(3,500)</u>	<u>14.85</u>
Nonvested shares at June 30, 2008	<u>293,000</u>	<u>\$12.84</u>

As of June 30, 2008, there is approximately \$3.8 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 6.17 years.

For the six months ended June 30, 2008 and 2007, the Company recognized share-based compensation cost of approximately \$367,000 and \$302,000, respectively, which is included in general and administrative expense.

13. SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," 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 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 "Programmer's Paradise" segment, which sells technical software, hardware and services directly to end-users (such as individual programmers, corporations, government agencies, and educational institutions) and the "Lifeboat" segment, which distributes technical software to corporate resellers, VARs, consultants and systems integrators.

As permitted by SFAS No. 131, the Company has utilized the aggregation criteria in combining its operations in Canada with the domestic segments as they provide the same products and services to similar clients and are considered together when the 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 a business unit. The Company only identifies accounts receivable and inventory by segment as shown below as "Selected Assets"; it does not allocate its other assets, including capital expenditures by segment.

The following segment reporting information of the Company is provided (in thousands):

	Six months ended June 30,		Three months ended June 30,	
	2008	2007	2008	2007
Revenue:				
Programmer's Paradise	\$24,244	\$21,195	\$13,073	\$10,351
Lifeboat	64,358	69,767	35,023	33,689
	<u>88,602</u>	<u>90,962</u>	<u>48,096</u>	<u>44,040</u>
Gross Profit:				
Programmer's Paradise	\$2,828	\$2,880	\$1,464	\$1,337
Lifeboat	5,215	5,912	2,834	3,000
	<u>8,043</u>	<u>8,792</u>	<u>4,298</u>	<u>4,337</u>
Direct Costs:				
Programmer's Paradise	\$1,421	\$1,458	\$680	\$750
Lifeboat	1,503	1,400	782	698
	<u>2,924</u>	<u>2,858</u>	<u>1,462</u>	<u>1,448</u>
Segment Income:				
Programmer's Paradise	\$1,407	\$1,422	\$784	\$587
Lifeboat	3,712	4,512	2,052	2,302
Segment Income	<u>5,119</u>	<u>5,934</u>	<u>2,836</u>	<u>2,889</u>
Corporate general and administrative expenses	\$3,092	\$3,178	\$1,612	\$1,545
Interest income	376	491	142	251
Foreign currency translation gain	7	-	4	1
Income before taxes	<u>\$2,410</u>	<u>\$3,247</u>	<u>\$1,370</u>	<u>\$1,596</u>
Selected Assets By Segment:				
Programmer's Paradise	\$9,954	\$6,566		
Lifeboat	17,500	16,566		
Corporate assets	30,606	26,448		
Segment Select Assets	<u>\$58,060</u>	<u>\$49,580</u>		

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 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 certain factors, including those set forth under the heading "Certain Factors Affecting Operating Results" and elsewhere in this report. The following discussion should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2007.

Overview

The Company is organized into two reportable operating segments -- the "Programmer's Paradise" segment, which sells technical software, hardware and services directly to end-users (such as individual programmers, corporations, government agencies, and educational institutions) and the "Lifeboat" segment, which distributes technical software to corporate resellers, VARs, consultants and systems integrators.

The Company's sales 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: the loss of any major vendor, condition of the software industry in general; shifts in demand for software products; industry shipments of new software products or upgrades; the timing of new merchandise and catalog offerings; fluctuations in response rates; fluctuations in postage, paper, shipping and printing costs and 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 revenues 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 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 <u>June 30,</u>		Three months ended <u>June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	<u>90.9</u>	<u>90.3</u>	<u>91.1</u>	<u>90.2</u>
Gross profit	9.1	9.7	8.9	9.8
Selling, general and administrative expenses	<u>6.8</u>	<u>6.7</u>	<u>6.4</u>	<u>6.8</u>
Income from operations	2.3	3.0	2.5	3.0
Interest income, net	0.4	0.5	0.3	0.6
Realized foreign currency exchange gain(loss)	=	=	=	=
Income before income taxes	2.7	3.5	2.8	3.6
Provision for income taxes	<u>1.1</u>	<u>1.4</u>	<u>1.1</u>	<u>1.4</u>
Net income	<u>1.6%</u>	<u>2.1%</u>	<u>1.7%</u>	<u>2.2%</u>

Net Sales

Net sales for the second quarter of 2008 increased 9% or \$4.1 million to \$48.1 million compared to \$44.0 million for the comparable period in 2007. Total sales for the second quarter of 2008 for our Lifeboat segment were \$35.0 million compared to \$33.7 million in the second quarter of 2007, representing a 4% increase. Total sales for the second quarter of 2008 for our Programmer's Paradise segment were \$13.1 million compared to \$10.4 million in the second quarter of 2007, representing a 26% increase.

For the six months ended June 30, 2008, net sales decreased 3% or \$2.4 million to \$88.6 million compared to \$91.0 million for the same period in 2007. Sales for the six months ended June 30, 2008 for our Programmer's Paradise division were \$24.2 million compared to \$21.2 million for the same period last year. Sales for the six months ended June 30, 2008 for our Lifeboat division were \$64.4 million compared to \$69.8 million for the same period last year.

The growth in revenue for our Lifeboat segment in the second quarter of 2008 was mainly a result of the addition of new product lines. Excluding VMware, Lifeboat's sales increased by \$4.0 million or 21% compared to the second quarter of 2007. On July 30, 2008, the Company received a notice from VMware to terminate the VMware Distributor Agreement, dated September 20, 2004, between VMware and Lifeboat, effective as of December 31, 2008. Further, such notice provided that as of October 1, 2008, Lifeboat will cease distributing VMware-labeled products but VMware will accept orders for distributions of products through Programmer's Paradise.

The growth in revenue for our Programmer's Paradise segment in the second quarter of 2008 was mainly due to our customer service centric sales approach, aggressive pricing and flexible payment options used to win large deals during the quarter.

Gross Profit

Gross Profit for the quarter ended June 30, 2008 was \$4.3 million compared to \$4.3 million in the second quarter of 2007. Total gross profit for our Lifeboat segment for the quarter ended June 30, 2008 was \$2.8 million compared to \$3.0 million in the second quarter of 2007, representing a 6% decrease. Total gross profit for our Programmer's Paradise segment for the quarter ended June 30, 2008 was \$1.5 million compared to \$1.3 million in the second quarter of 2007, representing a 10% increase.

For the six months ended June 30, 2008 gross profit decreased by \$0.8 million to \$8.0 million compared to \$8.8 million in the same period in 2007. Programmer's Paradise gross profit for the six months ended June 30, 2008 was \$2.8 million compared to \$2.9 million for the first six months of 2007. Lifeboat's gross profit for the six months ended June 30, 2008 was \$5.2 million compared to \$5.9 million for the first six months of 2007. This decrease in gross profit was due to competitive pricing pressures.

Gross profit margin, as a percentage of net sales, for the quarter ending June 30, 2008 was 8.9% compared to 9.8% in the second quarter of 2007. Gross profit margin for our Programmer's Paradise segment for the second quarter of 2008 was 11.2% compared to 12.9% in the second quarter of 2007. Gross profit margin for our Lifeboat segment for the second quarter of 2008 was 8.1% compared to 8.9% in the second quarter of 2007. Gross profit margin as a percentage of net sales, for the six months ended June 30, 2008 was 9.1% compared to 9.7% in the same period last year.

The decrease in gross profit margin for both segments as a percentage of net sales was primarily caused by continued competitive pricing pressure as well as several large orders won at lower margins.

Selling, General and Administrative Expenses

Total selling, general, and administrative ("SG&A") expenses for the second quarter of 2008 were \$3.1 million compared to \$3.0 million in the second quarter of 2007. As a percentage of net sales, SG&A expenses for the second quarter of 2008 were 6.4% compared to 6.8% in the second quarter of 2007. For the six months ended June 30, 2008 SG&A expenses were \$6.0 million compared to \$6.0 million in the same period last year. As a percentage of net sales, SG&A expenses were 6.8% for the six months ended June 30, 2008 compared to 6.7% in the same period last year.

The Company expects that its SG&A expenses, as a percentage of net sales, may vary by quarter depending on changes in sales volume, as well as the levels of continuing investments in key growth initiatives.

Direct selling costs for the second quarter of 2008 was \$1.5 million compared to \$1.4 million in the second quarter of 2007. Total direct selling costs for our Programmer's Paradise division for the second quarter of 2008 were \$0.7 million compared to \$0.8 million in 2007, representing a 9% decrease. Total direct selling costs for our Lifeboat division for the second quarter of 2008 were \$0.8 million compared to \$0.7 million in 2007, representing a 12% increase.

Foreign Currency Transactions Gain (Loss)

The realized foreign exchange gain for the quarter ended June 30, 2008 was \$4,000 compared to \$1,000 for the same period in 2007. For the six months ended June 30 2008 the realized foreign exchange gain was \$7,000 compared to no foreign currency gain or loss in the same period last year. Foreign exchange gains and losses primarily result from our trade activity with our Canadian subsidiary. Although the Company does maintain bank accounts in Canadian currencies to reduce currency exchange fluctuations, the Company is, nevertheless, subject to risks associated with such fluctuations.

Income Taxes

For the quarter ended June 30, 2008, the Company recorded a provision for income taxes of \$547,000, which consists of a provision of \$323,000 for U.S. federal income taxes as well as a \$61,000 provision for state and local taxes and \$59,000 for Canadian taxes, and a deferred tax expense of \$104,000. For the quarter ended June 30, 2007, the Company recorded a provision for income taxes of \$637,000, which consisted of a provision of \$149,000 for U.S. federal income taxes as well as a \$26,000 provision for state and local taxes and \$54,000 for Canadian taxes, and a deferred tax expense of \$408,000.

For the six months ended June 30, 2008 the Company recorded a provision for income taxes of \$958,000 which consists of a provision of \$539,000 for U.S. federal income taxes as well as a \$96,000 provision for state and local taxes and \$128,000 for Canadian taxes, and a deferred tax expense of \$195,000. For the six months ended June 30, 2007 the Company recorded a provision for income taxes of \$1,298,000, which consisted of a provision of \$310,000 for U.S. federal income taxes as well as a \$55,000 provision for state and local taxes and \$115,000 for Canadian taxes, and a deferred tax expense of \$818,000.

The effective tax rates for the six and three months ended June 30, 2008 and June 30, 2007, respectively, was 40%.

Liquidity and Capital Resources

During the first six months of 2008 our cash and cash equivalents decreased by \$1.4 million to \$12.8 million at June 30, 2008, from \$14.2 million at December 31, 2007. During the first six months of 2008, net cash provided by operating activities amounted to \$1.4 million; net cash used in investing activities amounted to \$0.4 million and net cash used in financing activities amounted to \$2.4 million.

Net cash provided by operating activities in the first six months of 2008 was \$1.4 million and primarily resulted from a \$2.1 million increase in accounts payable and net income excluding non-cash charges of \$2.2 million offset partially by a \$2.6 million increase in accounts receivable and an increase of \$0.3 million in inventory.

Net cash used in investing activities in the first six months of 2008 amounted to \$0.4 million. This primarily resulted from \$0.3 million of capital expenditures. The balance was made up of net purchases of available-for-sale securities. These securities are highly rated and highly liquid. These securities are classified as available-for-sale securities in accordance with SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities", and as a result, unrealized gains and losses are reported as part of accumulated other comprehensive income (loss).

Net cash used in financing activities in the first six months of 2008 amounted to \$2.4 million. This consisted of dividends paid of \$1.4 million and treasury share buy-backs of \$1.0 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 stock buyback program and dividends if declared by the board of directors. Our business plan furthermore contemplates to continue to use our cash to pay vendors promptly in order to obtain more favorable conditions.

We believe that the funds held in cash and cash equivalents will be sufficient to fund our working capital and cash requirements for at least the next 12 months. We currently do not have any credit facility and, in the foreseeable future, we do not plan to enter into an agreement providing for a line of credit.

Contractual Obligations as of June 30, 2008 were summarized as follows:
(Dollars in thousands)

Contractual Obligations	Payment due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt	-	-	-	-	-
Capital Lease Obligations	-	-	-	-	-
Operating Leases (1)	\$1,563	\$298	\$1,107	\$158	-
Purchase Obligations	-	-	-	-	-
Other Long Term Obligations	-	-	-	-	-
Total Contractual Obligations (2)	\$1,563	\$298	\$1,107	\$158	\$-

(1) Operating leases primarily relates to the leases of the space used for our operations in Shrewsbury, New Jersey, and Mississauga, Canada and our former sales office (net of sublease income), in Hauppauge, New York. The commitments for operating leases include the minimum rent payments and a proportionate share of operating expenses and property taxes.

(2) In addition to the contractual obligations disclosed in this table, we have net unrecognized tax benefits totaling \$78,000 with respect to which, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities. As a result, such potential liabilities are not listed in the table.

The Company is not committed by lines of credit or standby letters of credit, and has no standby repurchase obligations or other commercial debt commitments. The Company is not engaged in any transactions with related parties.

As of June 30, 2008, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its 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, 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 under different assumptions or conditions.

The Company records revenues from sales transactions when title to products sold passes to the customer. Usual sales terms are FOB shipping point, at which time title and risk of loss has passed to the customer and delivery has occurred. Revenue is recognized in accordance with Statements of Position ("SOP") 97-2 "Software Revenue Recognition", Staff Accounting Bulletin ("SAB") No. 101 and No. 104, "Revenue Recognition" and Emerging Issues Task Force ("EITF") 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent". The majority of the Company's revenues relates to physical products and is recognized on a gross basis with the selling price to the customer recorded as net sales with the acquisition cost of the product to the Company recorded as cost of sales. At the time of sale, the Company also records an estimate for sales returns based on historical experience. Certain software maintenance products, third party services and extended warranties sold by the Company (for which the Company is not the primary obligor) are recognized on a net basis. Accordingly, such revenues are recognized in net sales either at the time of sale or over the contract period, based on the nature of the contract, at the net amount retained by the Company, with no cost of goods sold.

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 net sales in accordance with EITF 02-16, "Accounting for Consideration Received from a Vendor by a Customer (Including a Reseller of the Vendor's Products)".

The Company believes the following critical accounting policies used in the preparation of its 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.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141 (revised 2007) "SFAS No. 141." SFAS No. 141 (revised 2007) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141 (revised 2007) will become effective for the fiscal year beginning after December 15, 2008.

In December 2007, the FASB issued "SFAS No. 160" "Noncontrolling Interests in Consolidated Financial Statements- an amendment of ARB No. 51." SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 will become effective for the fiscal year beginning after December 15, 2008. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS No. 159). SFAS No. 159 allows entities the option to measure eligible financial instruments at fair value as of specified dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. SFAS No. 159 is effective for our Company beginning January 1, 2008 for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. The adoption of SFAS 159 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"), which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States. The FASB believes that the GAAP hierarchy should be directed to entities because it is the entity (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. The Company does not expect the adoption of SFAS No. 162 to have a material effect on its condensed consolidated financial statements.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities" ("EITF 03-6-1"). EITF 03-6-1 applies to the calculation of earnings per share for share-based payment awards with rights to dividends or dividend equivalents under Statement No. 128, Earnings Per Share. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents will be considered participating securities and will be included in the computation of earnings per share pursuant to the two-class method. The effective date of EITF 03-6-1 is for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those years. Early adoption is not permitted. Once effective, all prior period earnings per share data presented will be adjusted retrospectively. The Company is currently evaluating the potential impact, if any, the adoption of EITF 03-6-1 may have on its condensed consolidated financial statements.

Certain Factors Affecting Operating Results

This report includes "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Statements in this report regarding future events or conditions, including statements regarding industry prospects and the Company's expected financial position, business and financing plans, are forward-looking statements. 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. We strongly urge current and prospective investors to carefully consider the cautionary statements and risks contained in this report. Such risks include, but are not limited to, the continued acceptance of the Company's distribution channel by vendors and customers, the timely availability and acceptance of new products, contribution of key vendor relationships and support programs, as well as factors that affect the software industry in general.

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 and future gross profit margin are forward looking statements involving certain risks and uncertainties such as availability of products, product mix, 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, the Company also conducts business 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.

The Company's \$9.8 million investments in marketable securities are primarily in highly liquid U.S. government securities. The remaining cash balance is invested in short-term savings accounts with our primary bank, JPMorgan Chase Bank. As such, the risk of significant changes in the value of our cash invested is minimal.

Item 4T. 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 of June 30, 2008. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Accounting Officer (principal financial officer). As defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures of the Company that are designed 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based upon that evaluation, our Chief Executive Officer and Chief Accounting Officer concluded that our disclosure controls and procedures were effective as of June 30, 2008. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Control Over Financial Reporting. As required by Rule 13a-15(d) under the Exchange Act, our management, including our Chief Executive Officer and Chief Accounting Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the quarter ended June 30, 2008, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation during the quarter ended June 30, 2008 there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1- Legal Proceedings

None.

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

The table below sets forth the purchase of Common Stock by the Company and its affiliated purchasers during the second quarter of 2008.

ISSUER PURCHASE OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (1)	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)
April 1, 2008- April 30, 2008	-	-	-	-	-
May 1, 2008- May 31, 2008	11,714	\$9.77	7,393	\$9.55	679,516
June 1, 2008- June 30, 2008	51,870	\$9.19	51,870	\$9.19	627,646
Total	63,584	\$9.30	59,263	\$9.24	627,646

(1) Includes 4,321 shares surrendered to the Company by employees to satisfy individual tax withholding obligations upon vesting of previously issued shares of restricted common stock.

(2) Average price paid per share reflects the closing price of Wayside Technology Group, Inc. common stock on the business date the shares were surrendered by the employee stockholder to satisfy individual tax withholding obligations upon vesting of restricted common stock, or the price the stock paid on the open market purchase, as applicable.

(3) Average price paid per share reflects the price of Wayside Technology Group, Inc. common stock purchased on the open market.

(4) On October 9, 2002, our Board of Directors adopted a stock repurchase program whereby the Company was authorized to repurchase up to 500,000 shares of our common stock from time to time. On July 31, 2008, the Company approved the increase of its common stock repurchase program by 500,000 shares. The Company expects to purchase shares from time to time in the market or otherwise subject to market conditions. The stock repurchase program does not have an expiration date.

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

The Company held its Annual Meeting of Stockholders (the "Meeting") during the fiscal quarter ended June 30, 2008.

(a) The date of the Meeting was June 11, 2008.

(b) At the Meeting, the first proposal voted on was the election of directors, and the following persons were elected directors of the Company, each receiving the number of votes set forth opposite their names below:

	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
Simon F. Nynens	4,090,363	88,697	-	-
William H. Willett	4,092,763	86,297	-	-
F. Duffield Meyercord	4,092,763	86,297	-	-
Edwin H. Morgens	4,080,463	98,597	-	-
Allan Weingarten	4,092,313	86,747	-	-
Mark T. Boyer	4,064,098	114,962	-	-

(c) The other proposal voted on was to ratify Amper, Politziner and Mattia P.C. ("Amper") as the Company's independent registered accounting firm. The vote was as follows:

	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
Ratify Amper as the Company's 2008 independent registered accounting firm	4,144,098	26,375	8,585	-

Item 6. Exhibits

(a) Exhibits.

- 10.70 VMware Distributor Agreement, dated September 20, 2004, between VMware, Inc. and Lifeboat Distribution, Inc.
- 10.71 Notice of Termination, dated July 30, 2008, from VMware, Inc. to Lifeboat Distribution, Inc.
- 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 Chief Accounting 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 Chief Accounting Officer (principal financial officer) of the Company.

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 14, 2008	By: /s/ Simon F. Nynens
Date	Simon F. Nynens, Chairman of the Board, President and Chief Executive Officer
August 14, 2008	By: /s/ Kevin T. Scull
Date	Kevin T. Scull, Vice President and Chief Accounting Officer

VMWARE DISTRIBUTOR AGREEMENT (NORTH AMERICA AND SOUTH AMERICA (NASA))

This Distributor Agreement (the "Agreement") is made as of the date of last signature ("Effective Date") by and between VMware, Inc., a Delaware corporation with offices at 3145 Porter Drive, Palo Alto, California 94304 ("VMware"), and Lifeboat Distribution (a division of Programmer's Paradise, Inc.), a Delaware corporation with offices at the address specified below the signature block ("Distributor"), to appoint Distributor a distributor of the software and service products designated in **Exhibit A** in accordance with the terms and conditions of this Agreement.

1. APPOINTMENT

1.1 Appointment. VMware hereby appoints Distributor as a nonexclusive distributor of the Products (as defined below) within the territory set forth in Exhibit A ("Territory"). Distributor may sell the Products directly to third party resellers, subject to the resale limitations set forth on Exhibit A. For purposes of this Agreement, a "reseller" sells the Products directly to end users, who will use the Products and will not re-distribute or re-sell the Products. Distributor shall not sell directly to end users. VMware reserves the right to deal directly in the Territory including the right to: (a) license end users directly, via Internet distribution or otherwise; (b) appoint other distributors for the Products in the Territory; (c) provide technical support in the Territory; and (d) enter into arrangements or agreements with third parties, including but not limited to end users, dealers, original equipment manufacturers (OEMs), system integrators, or value-added resellers (VARs) in connection with the Products in the Territory. Distributor acknowledges that this Agreement in no way constitutes a license to Distributor to reproduce the Products or any portion thereof, and if Distributor desires such a license, it must enter into a separate agreement with VMware.

1.2 Products. Software Products (as defined herein) may be ordered by Distributor in the form of a package with media including the Software Product object code and documentation and an Activation Device (as defined herein) to activate such code ("Packaged Product") or in the form of an Activation Device to activate a copy of the Software Product object code to be downloaded by the end user from the VMware Web site ("Electronic Product"). "Activation Device" means either a serial number that an end user uses to activate a Software Product or an activation code that an end user uses to register on the VMware Web site to obtain a serial number to activate a Software Product. Packaged Products and Electronic Products, excluding any Open Source Software (as defined in Section 16) provided with such Packaged Products and/or Electronic Products, are collectively referred to as Software Products. Products may include service products, including, without limitation, Software Product support and subscription services ("Service Products"). All Service Products shall be as set out on VMware's Web site from time to time. Software Products, Service Products, and any other products (such as Media Kits) Distributor is authorized to distribute, as specified in Exhibit A to this Agreement, are collectively referred to as Products "Media Kit" means the packaging, Documentation, and a CD or other media that contains the inactive Software Product object code.

1.3 VMware may revise the applicable price list indicated in Exhibit A, to add or delete Products upon thirty (30) days prior written notice to Distributor. Any revision will apply to all orders accepted after the effective date of the revision. Distributor may not modify or repackage the Products.

1.4 Title. Title to the Software Product object code contained in the Software Product, and to all intellectual property rights of whatever nature throughout the world in and to all Software Product will remain with VMware. Title to the physical contents of the Software Product packaging and the media that contains the Software Product object code, if any, shall pass to Distributor upon shipment by VMware. Except to the extent expressly permitted by applicable law, and to the extent VMware is not permitted by that applicable law to exclude or limit the following rights, Distributor shall not reverse engineer, de-compile, disassemble or otherwise derive source code from the Software Products nor will Distributor use any mechanical, electronic or other method to trace, decompile, disassemble, or identify the source code of the Software Products or encourage others to do so.

1.5 End User License Agreement. Distributor shall distribute the Software Products with a copy of the applicable VMware end user license agreement accompanying the Software Products ("End User License Agreement").

1.6 Open Source Software. "Open Source Software" means individual software components that are provided with the Software Products, for which the source code is made generally available, and that are licensed under the terms of various published open source software license agreements or copyright notices accompanying such software components. Open Source Software components provided with the Software Products shall be distributed under the terms of the applicable Open Source Software license agreements or copyright notices accompanying the Software Products.

Any terms of this Agreement that conflict with the terms of any license agreements or copyright notices for Open Source Software components shall not apply to such Open Source Software components.

2. PRICES, ORDERS, DELIVERY AND PAYMENT

2.1 Prices. VMware shall sell the Products to the Distributor at VMware's then-current Selling Price, less the discounts set forth on the applicable price list or any modified discounts described in Exhibit A to this Agreement. Although VMware may publish suggested list prices, these are suggestions only and Distributor will be entirely free to determine the actual prices at which Products will be sold to its customers. Distributor's purchase price does not include any tariffs, customs or duties that may be applicable to the sale of the Products. When VMware has the legal obligation to collect such tariffs, customs or duties, the appropriate amount shall be added to Distributor's invoice and paid by Distributor. Prices do not include any national, regional, and local excise, sales, use, withholding or similar taxes. Prices shall be reduced by the amount of any tax required to be withheld by any government or governmental agency. In the event that Distributor makes any payment without deduction of withholding tax, and is subsequently required to pay such tax, VMware shall reimburse Distributor in the amount of such tax, provided that VMware is notified within one (1) year after having made payment without deduction of withholding tax. Where reduced or nil rates of withholding tax apply under the provisions of double taxation treaties, Distributor's local office, if any, shall provide VMware with the local application, and reasonable assistance in completing such application, in order to obtain the necessary exemptions. VMware shall provide Distributor with the authorizations necessary to apply such rates. Distributor shall provide to VMware any certification of the amounts withheld furnished by a withholding jurisdiction. In the event any international government imposes any income tax on VMware and requires Distributor to withhold such tax from the payment of any fees hereunder, Distributor may deduct such tax from the said payment and pay it to the appropriate tax authority on behalf of VMware. Distributor will provide: (a) VMware with a tax receipt received from such tax authority to assist VMware in claiming and receiving foreign tax credit; and (b) reasonable assistance in preparing any documents required to claim such foreign tax credit. Distributor shall provide VMware with a resale certificate, issued by the state to which product is to be shipped, at the time of each order. If the resale certificate is not provided at the time of order, applicable sales taxes will be charged. VMware may revise the list price for the Products upon thirty (30) days prior written notice to Distributor. Revisions will apply to all orders accepted by VMware after the effective date of the revision.

2.2 Orders and Acceptance. Distributor may initiate purchases of Products under this Agreement only by submitting written purchase orders ("Orders") to VMware. The terms and conditions of this Agreement will apply to all Orders submitted to VMware and supersede any different, conflicting, or additional terms on Distributor's Orders. Orders issued by Distributor to VMware are solely for the purpose of requesting delivery dates and quantities, which quantity per order will meet the minimum requirements set forth in **Exhibit A**. All Orders placed with VMware for the Products will be subject to VMware's written acceptance, and no Order will be binding upon VMware until the earlier of the date of VMware's written acceptance of such Order or the date of shipment of the Products included in such Order. It shall be the responsibility of Distributor to ensure its purchase orders to VMware for the Software Products and Services reflect the pricing set forth in Exhibit A. Once a purchase order from Distributor has been fulfilled by VMware, VMware shall have no liability for any pricing in Distributor's purchase order which is inconsistent with the pricing set forth on Exhibit A. If Orders for Packaged Products exceed VMware's inventory, VMware may allocate available inventory in VMware's discretion.

2.3 Delivery and Shipping.

(a) Delivery and Shipping of Packaged Product and Media Kits

(i) VMware will use reasonable efforts to promptly make deliveries of Orders for Packaged Products and Media Kits so accepted by VMware.

(ii) VMware shall not be liable for any damages to Distributor or to any other person or be in breach of this Agreement for VMware's failure to fill any Orders, or for any delay in delivery or error in filling any such Orders for any reason whatsoever.

(iii) VMware shall mark all Packaged Products and Media Kits for shipment to Distributor's address set forth below or to the address specified in Distributor's Order (if specified), and shall deliver the Packaged Products and Media Kits to a carrier or forwarding agent chosen by VMware. Shipment will be F.O.B. Origin, at which time risk of loss passes to Distributor. Distributor shall pay all freight, insurance and other shipping expenses for Orders.

(b) Delivery of Electronic Product

(i) VMware will use reasonable efforts to promptly make deliveries of Orders for Electronic Products so accepted by VMware.

(ii) VMware shall not be liable for any damages to Distributor or any other person or be in breach of this Agreement for VMware's failure to fill any Orders, or for any delay in delivery or error in filling any such Orders for any reason.

(iii) VMware shall deliver Electronic Products to Distributor by transferring corresponding Activation Devices to Distributor via email to the contact set forth on **Exhibit C** for Finance and Administration issues or to the e-mail address specified in Distributor's Order (if specified). Distributor shall distribute Electronic Products to resellers by transferring the corresponding Activation Devices to such resellers, and Distributor's resellers shall distribute Electronic Products to end users by transferring the corresponding Activation Devices to end users. Upon receipt of such an Activation Device, an end user may download a single copy of the corresponding object code for such Software Product from VMware's Web site. Such end user may download only as many copies of the Software Product object code as equals the number of corresponding Electronic Product Activation Devices that such end user has purchased. After Distributor distributes or transfers an Electronic Product, Distributor shall not redistribute, resell or otherwise transfer the corresponding Activation Device to any third party. Distributor shall use commercially reasonable efforts to ensure that its resellers do not redistribute, resell or otherwise transfer Activation Devices to any third parties, after such resellers transfer such Activation Devices to end users. Distributor shall not make binaries for Software Products available to its customers on its web site or direct its customers to any web site other than the VMware web site to download the Software Products. If an individual accesses the VMware web site and inputs correct details relating to an Activation Device issued by VMware, VMware will be entitled to assume that such individual is duly authorized to download the relevant Electronic Product and shall not be obliged to permit further downloadings than required to fulfill the relevant Order, and shall not be otherwise liable to Distributor, if that individual in fact did not have such authority.

(c) Delivery of Service Products. Certain Software Products must be sold with a corresponding Service Product. Other Software Products may be sold with a corresponding Service Product. The mandatory or optional Service Product corresponding to each Software Product is identified in the applicable price list. For each Software Product included in each Order, Distributor shall order the corresponding mandatory Service Product, and Distributor may order the corresponding optional Service Product. Service Products shall be delivered with the corresponding Software Product in the form of the associated Activation Device enabled for the applicable Service Product.

2.4 Return.

(a) Return of Packaged Product and Media Kits. Distributor must inspect all Packaged Products and Media Kits promptly upon receipt, and may reject any Packaged Products or Media Kits with defective Product Packaging (as defined in Section 2.5(a)) by requesting a Return Materials Authorization ("RMA") number from VMware pursuant to VMware's then-current return policy. Any Packaged Products or Media Kits not rejected within ten (10) days of receipt by Distributor will be deemed accepted by Distributor. Notwithstanding the foregoing, any Packaged Products or Media Kits with defective media (CD-ROM) that contain the Software Product object code and any Packaged Products with a defective Activation Device may be returned by Distributor promptly after Distributor becomes aware of the defective media or Activation Device, as the case may be, even if such ten-day period has expired. Upon receipt of the defective Packaged Product or Media Kit from Distributor, VMware shall provide to Distributor a replacement Packaged Product or Media Kit. Except for stock rotation, as permitted under Section 2.5(b), Distributor may not return unused, non-defective Packaged Products or Media Kits to VMware.

(b) Return of Electronic Product. In the case of Electronic Products, for any associated defective Activation Devices returned to Distributor by resellers or end users, Distributor shall, after obtaining an RMA number from VMware, return the defective Activation Devices to VMware with a signed VMware standard form of certificate of destruction located on VMware's Web site at <http://www.vmware.com/pdf/swda.pdf>, signed by the end user. Upon receipt of the defective Activation Devices and corresponding certificate of destruction from Distributor, VMware shall provide a replacement Activation Device to Distributor.

2.5 Stock Rotation.

(a) "Product Packaging" means the Packaged Product or Media Kit box and its physical contents, including without limitation the Software Product manual and any other Software Product documentation, except for the CD-ROM or other media that contains the Software Product. "Package Change Release" means a new version of a Software Product for which there are substantial changes to the Product Packaging. Typically, a Package Change Release will have a different SKU number than the current version of the Software Product. "Other New Release" means a new version of a Software Product for which there are insubstantial or no changes to the Product Packaging. Typically, an Other New Release will not have a different SKU number than the current version of a Software Product. VMware will, in its sole discretion, determine whether a new version of a Software Product shall be deemed a Package Change Release or an Other New Release.

(b) VMware will notify Distributor approximately thirty (30) days prior to general commercial availability of any Package Change Releases of Software Products. Upon receipt of notice of a Package Change Release of a Software Product, Distributor may return any inventory of the current version of the Packaged Product and corresponding Media Kits still in Distributor's possession which was delivered to Distributor during the previous calendar quarter and in respect of which Distributor has paid all amounts due hereunder ("Eligible Packaged Products"), provided that the amount of Eligible Packaged Products returned does not exceed thirty percent (30%) of the value (to be determined by reference to prices paid for relevant products hereunder) of all Software Products and Media Kits delivered to Distributor during the previous calendar quarter, and provided that Distributor concurrently issues an Order for an amount of Software Products and/or Media Kits equivalent to that of the Eligible Packaged Products being returned. Distributor shall notify VMware, in writing, no later than fifteen (15) calendar days from receipt of VMware's notice of the Package Change Release, of the entire amount of the Eligible Packaged Products to be returned to VMware. At that time, Distributor shall issue the new Order. Any Distributor notice received by VMware later than such fifteen (15) day period shall not be acknowledged by VMware. VMware shall issue a confirmation of the permitted quantities of the Eligible Packaged Products to be returned by Distributor by issuing an RMA number promptly after receipt of Distributor's written notice. Any and all amounts due to Distributor by VMware under this Section 2.5(b) will be payable solely as a credit toward future purchases of the Software Products from VMware, and VMware will not be required to refund any amount to Distributor. Except as expressly permitted in this Section 2.5(b), Distributor may not return unused, non-defective Packaged Products or Electronic Products to VMware.

(c) VMware shall notify Distributor approximately ten (10) days prior to the general commercial availability of any Other New Releases of Products. Distributor shall have no rights under this Section 2.5 to return any Products when VMware makes any Other New Releases of Software Products generally commercially available.

2.6 Restocking Fee. At the time VMware issues an RMA number to Distributor, VMware shall inform Distributor of the mechanism of return. Any Eligible Packaged Products returned to VMware pursuant to Section 2.5(b) must be returned with shipping prepaid, or destroyed and certified in writing as destroyed by an authorized representative of Distributor. Any such returned or destroyed Eligible Packaged Products that exceed ten percent (10%) of the value (to be determined by reference to prices paid for relevant products hereunder) of the Packaged Products and corresponding Media Kits supplied to Distributor during the previous calendar quarter are subject to a restocking fee of fifteen dollars (U.S. \$15.00) per Packaged Product or Media Kit unit returned or destroyed. Such restocking fee may be updated from time to time by VMware in its sole discretion.

2.7 Payment.

(a) Payment for Products ordered from VMware and shipping costs will be due at the time the Order is placed by check or other means satisfactory to VMware. VMware may, in its sole discretion, grant credit approval, in which case all payments will be due within thirty (30) days after the date of VMware's invoice. VMware shall not invoice before the actual date of shipment.

(b) VMware reserves the right to terminate or modify the terms of credit or change payment terms at any time, for any reason or no reason, upon thirty (30) days prior

written notice.

2.8 Forecasts. During the term of this Agreement, at least thirty (30) days prior to the start of each calendar quarter, Distributor shall provide VMware with a rolling, non-binding, written forecast of the quantities of Products estimated to be required on a month-by-month basis during the upcoming calendar quarter.

2.9 Reports. Distributor shall provide to VMware, within ten (10) days of the end of each calendar month, a report detailing the following: (a) its sales of the Products and its current stock/inventory levels during the relevant calendar month; and (b) customers who have purchased VMware Products during the relevant calendar month. Such report shall be in the format reasonably specified by VMware and shall include the information contained on **Exhibit D**, which may be modified from time to time by VMware. In addition, Distributor shall immediately report to VMware any suspected infringing or unauthorized use or reproduction of the Products of which the Distributor has actual knowledge.

2.10 Records. During the term of this Agreement and for a period of two (2) years thereafter, Distributor shall maintain complete, clear, and accurate records of the number of Packaged Products, Electronic Products, Media Kits, and Service Products distributed by product type, to whom such Products were distributed, and the payments received thereof irrespective of the source. Distributor shall permit VMware or persons designated by VMware to inspect such records pertaining to the Products and any other materials provided to Distributor by VMware to ensure compliance by Distributor with its obligations to VMware under this Agreement. Any such inspection and audit shall be conducted during upon prior written notice and regular business hours and in such a manner as not to interfere with the business activities of Distributor. Distributor shall promptly pay to VMware any underpayments revealed by such inspection or audit, including any interest due for such late payment. Any such inspection or audit will be performed at VMware's expense, provided that, in addition to payment of any underpayments revealed by such inspection or audit, Distributor shall also promptly reimburse VMware for the reasonable cost of such audit, if such inspection or audit reveals an underpayment by Distributor of more than five percent (5%) of the amounts payable by Distributor to VMware for the period audited.

2.11 Marketing. Distributor shall use its commercially reasonable efforts to promote, market and distribute the Products, and Distributor shall ensure that its marketing and advertising efforts will: (a) be of high quality and in good taste; (b) preserve the professional image and reputation of VMware and the Products; and (c) comply with the terms of VMware's Co-Op Guidelines, as updated from time to time by VMware.

2.12 Training and Support, VMware shall provide Distributor with the training and support set forth on **Exhibit B**. Each party shall fulfill its support obligations set forth on **Exhibit B**.

3. TRADEMARKS AND NOTICES

3.1 Trademarks. VMware grants Distributor the non-exclusive right to use VMware's trademarks described in VMware's then-current published trademark usage guidelines ("Trademarks") solely in connection with the marketing, distribution and sale of the Products pursuant to this Agreement. Distributor shall use the Trademarks in accordance with VMware's published trademark usage guidelines located at http://www.vmware.com/pdf/branding_guidelines.pdf and agrees that VMware may, from time to time, revise these trademark usage guidelines for the purpose of protecting the standards of quality established for VMware's goods and services sold under the Trademarks. Distributor agrees to cooperate with VMware in facilitating VMware's monitoring and control of the nature and quality of the Products and related marketing materials and to supply VMware with specimens of use of the Trademarks upon request, and to comply with any instructions of VMware in relation to Trademark use. Distributor acknowledges the validity of the Trademarks and VMware's ownership thereof.

3.2 Ownership of Trademarks

(a) No patent, trademark, copyright or other proprietary notice incorporated in, marked on, or fixed to any Products, packaging, or documentation by VMware shall be removed, altered or obliterated by Distributor. Distributor shall not challenge VMware's rights in any Trademarks which VMware may apply to or use in connection with the Products. All goodwill and reputation which accrues to any VMware Trademarks in the course of Distributor's and its reseller's business in the promotion and sale of the Products shall automatically vest in VMware without any separate or additional consideration of any kind to Distributor, and Distributor agrees to take all such reasonable actions necessary to effect such vesting.

(b) Distributor shall not adopt, use, register, make application or attempt to register (whether such registration is for a trade mark, trade name, corporate or business name, a domain name or otherwise) any acronym, Trademark, trade names or other marketing name of VMware or any confusingly similar mark, uniform resource locator (URL), Internet domain name, or symbol as part of Distributor's own corporate or reading name or such name of any of its affiliates or the names of any products it markets, Any registration or application to register referred to in the preceding sentence (whether or not made or granted with VMware's consent) is hereinafter referred to as a "Registration". All Registrations shall be held by Distributor on trust for VMware, and Distributor undertakes, without delay following VMware's request, to: (i) transfer any Registration to VMware or such other person or entity as VMware may direct; (ii) do everything reasonably requested by VMware, and otherwise assist VMware, to ensure that ownership of the Registration and all rights to use it are transferred to VMware, For example, where the Registration is in respect of domain name, Distributor will, where this is required under local rules to affect a transfer, send clear instructions to the relevant official domain name registry in approved form, formally instructing and authorizing the transfer of the registration of the domain name. Where the domain name registry does not permit transfer, Distributor will coordinate cancellation of its rights with an application by VMware. Where the rules of the domain name registry or common practice allow any choice in the manner of effecting transfer, Distributor will first consult with VMware and act as instructed; and (iii) delete from all material on or accessible through any website any reference to the domain name or mark which is the subject of the Registration, or any similar name or mark. Distributor agrees that VMware will own any goodwill or reputation associated with any Registration, Distributor hereby formally appoints VMware as its agent to do all acts or execute all documents within the scope of Sub-section (ii) above on its behalf should it fail to do so. Distributor acknowledges that this appointment is made to secure the performance of an obligation owed to VMware and is irrevocable.

4. WARRANTY

4.1 Warranty Service. Distributor shall make appropriate arrangements with VMware to provide warranty service for end users for all Software Products. If a Software Product qualifies under the warranty provisions of the applicable End User License Agreement for warranty service, Distributor shall advise the end user to return the Software Product to the source from which the end user obtained it (i.e. VMware, Distributor, or its authorized resellers) for replacement by such source. Irrespective of the source, if an end user returns a Software Product to Distributor, and that Software Product qualifies under the warranty provisions of the applicable End User License Agreement for warranty service, Distributor shall promptly provide the end user with a replacement Software Product. Distributor shall return any such Software Product (including the Activation Device and corresponding certificates of destruction) to VMware, at VMware's expense, along with the dated end user proof of purchase within thirty (30) days after Distributor's receipt of the Software Product from the end user. VMware shall provide Distributor with replacement of, such Software Product.

4.2 WARRANTY DISCLAIMER. VMWARE HEREBY DISCLAIMS ANY WARRANTIES ON THE PRODUCTS, EXPRESS, IMPLIED, OR STATUTORY, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR NON-INFRINGEMENT. Any product performance or service warranty will run directly from VMware to the end user.

5. TERM AND TERMINATION

5.1 Term. This Agreement will commence on the Effective Date and will continue for a term of one (1) year, unless sooner terminated in accordance with this Section 5. This Agreement will automatically renew for successive one (1) year terms unless terminated by either party upon no less than thirty (30) days written notice prior to the termination of the initial or any renewal term.

5.2 Termination. Either party may terminate this Agreement at any time, for any reason or no reason, upon thirty (30) days' prior written notice to the other party. This Agreement may be terminated for material breach of any provision of this Agreement by either party, provided that written notice of the breach has been given to the breaching party and the breaching party has not cured the breach within thirty (30) days after delivery of the notice. The provisions of Sections 1.4, 27, 2.10, 12, 4.2, 5.2, 5.3, 6, 7, 8 and 9 will survive expiration or termination of this Agreement. Expiration or termination shall be without prejudice to the accrued rights and liabilities if the parties.

5.3 Limitation of Liability upon Termination. WITHOUT PREJUDICE TO SECTION 8, NEITHER VMWARE NOR DISTRIBUTOR WILL BE LIABLE TO THE

OTHER FOR DAMAGE OF ANY KIND, INCLUDING LOSS OF PROFIT, LOSS OF CUSTOMERS, LOSS OF BUSINESS OPPORTUNITY AND INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, ON ACCOUNT OF THE TERMINATION OR EXPIRATION OF THIS AGREEMENT IN ACCORDANCE WITH THIS SECTION 5 DISTRIBUTOR WAIVES ANY RIGHT IT MAY HAVE TO RECEIVE ANY COMPENSATION OR REPARATIONS ON TERMINATION OR EXPIRATION OF THIS AGREEMENT UNDER THE LAW OF THE TERRITORY OR OTHERWISE, OTHER THAN AS EXPRESSLY PROVIDED IN THIS AGREEMENT. Neither VMware nor Distributor will be liable to the other on account of termination or expiration of this Agreement for reimbursement or damages for the loss of goodwill, prospective profits or anticipated income, or on account of any expenditures, investments, leases or commitments made by either VMware or Distributor or for any other reason whatsoever based upon or growing out of such termination or expiration. THE PARTIES ACKNOWLEDGE THAT THIS SECTION HAS BEEN INCLUDED AS A MATERIAL INDUCEMENT FOR VMWARE TO ENTER INTO THIS AGREEMENT AND THAT VMWARE WOULD NOT HAVE ENTERED INTO THIS AGREEMENT BUT FOR THE LIMITATIONS OF LIABILITY AS SET FORTH HEREIN. Termination shall not, however, relieve either party of obligations incurred prior to the termination.

6. CONFIDENTIAL INFORMATION.

"Confidential Information" means any information disclosed by one party to the other pursuant to this Agreement that is marked "Confidential," "Proprietary," or in some similar manner. Each party shall treat as confidential all Confidential Information of the other party and shall not use such Confidential Information except to exercise its rights or perform its obligations under this Agreement. All reports furnished under Section 2.9 will be deemed "Confidential Information". Each party shall not disclose such Confidential Information to any third party during the term of this Agreement and for a protection period of three (3) years beyond such term. The terms and conditions of this Agreement shall be Confidential Information subject to the provisions of this Section 6, whether or not marked confidential. This paragraph will not apply to any Confidential Information that: (a) was rightfully in possession of either party prior to receipt of such Confidential Information from the other party; (b) is or becomes a matter of public knowledge through no fault of the party receiving such Confidential Information hereunder; (c) is rightfully received from a third party without a duty of confidentiality; (d) is independently developed by the other party without breach of any confidentiality obligations; (e) is disclosed by either party with the other party's written approval; or (f) the recipient is required to disclose by applicable law or court order. The parties acknowledge that breach of this Section 6 will cause irreparable damage to the disclosing party for which monetary damages will be an inadequate remedy. Accordingly, either party will be entitled to seek and obtain injunctive and any other relief (legal or equitable) to restrain any breach or anticipated breach of this Section 6.

7.1 INDEMNIFICATION

7.1 Indemnification. VMware shall, at its expense, defend Distributor against and pay all costs and damages including reasonable attorneys' fees made in settlement or finally awarded against Distributor resulting from any claim, action or allegation brought against Distributor, that a Software Product infringes any copyright or trademark of a third party in the United States, Japan or European Community ("Infringement Claim"); provided that, as conditions of VMware's obligation so to defend and pay, Distributor: (a) promptly notifies VMware in writing of any such Infringement Claim; (b) gives VMware sole control of the defense of any such Infringement Claim and any related negotiations or settlement; and (c) gives VMware the information and assistance necessary to settle or defend such Infringement Claim. If it is adjudicatively determined, or if VMware reasonably believes that any Software Product infringes any third party copyright or trademark, then VMware may, at its option and expense: (i) modify the Software Product or infringing part thereof to be reasonably equivalent and non-infringing; (ii) procure for Distributor a license to continue distributing the Software Product or infringing part thereof; (iii) replace the Software Product or infringing part thereof with other comparable products; or (iv) terminate Distributor's rights hereunder with respect to the infringing Software Product.

7.2 Exclusions. VMware's obligations under Section 7.1 do not apply to any Infringement Claim arising from the: (a) use of the Software Product other than as specified in the applicable documentation, if the infringement would have been avoided absent such misuse; (b) use of other than the current version of the Software Product, if the infringement would have been avoided by use of the current version; (c) modification of the Software Product; (d) combination or use of the Software Product with materials not furnished by VMware, if such infringement would have been avoided by the use of the Software Product alone; or (e) modification of the Software Product by VMware according to instructions from Distributor or to a design furnished by Distributor.

7.3 Limitation. THIS SECTION 7 STATES THE SOLE LIABILITY OF VMWARE WITH RESPECT TO ANY INFRINGEMENT BY THE PRODUCTS OF ANY PATENT, COPYRIGHT, TRADE SECRET, TRADEMARK OR OTHER INTELLECTUAL PROPERTY RIGHT.

8. LIMITATION OF LIABILITY. VMWARE'S LIABILITY UNDER THIS AGREEMENT, REGARDLESS OF THE FORM OF ACTION, WILL NOT EXCEED ONE HUNDRED PERCENT (100%) OF THE AMOUNTS PAID UNDER THIS AGREEMENT BY DISTRIBUTOR TO VMWARE DURING THE PREVIOUS TWELVE (12) MONTH PERIOD FOR THE PRODUCTS GIVING RISE TO THE LIABILITY. NEITHER PARTY WILL BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR INCIDENTAL DAMAGES ARISING OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

9. MISCELLANEOUS.

9.1 Governing Law. The rights and obligations of the parties under this Agreement shall not be governed by the 1980 U N Convention on Contracts for the International Sale of Goods. This Agreement will be governed by the laws of the State of California and the United States of America, without regard to conflict of law principles. The parties hereby consent to the non-exclusive jurisdiction of the state and federal courts located in Santa Clara County, California, for resolution of any disputes arising out of this Agreement. Either party may seek injunctions to prevent and/or stop any breach of, and otherwise enforce, the provisions of Section 6, and VMware may seek injunctions to prevent and/or stop any infringement of, and otherwise enforce, its intellectual property rights of whatever nature, in the courts of any country, state or other territory which accepts jurisdiction.

9.2 Assignment. This Agreement and any rights or obligations of Distributor hereunder may not be assigned, sub-contracted or otherwise transferred by Distributor without VMware's prior written consent. Subject to the preceding sentence, this Agreement shall be binding upon and inure to the benefit of the parties' permitted successors and assigns.

9.3 Indemnification by Distributor. If VMware should incur any liability to a third party caused by the non-performance of Distributor of any of its obligations under this Agreement, or resulting from any act or omission of Distributor, or if VMware incurs any liability to a third party by reason of acts of Distributor in marketing or distributing the Products, Distributor agrees to indemnify and hold VMware free and harmless from any such liability, and from all loss, claims, costs, demands, debts, and causes of action in connection therewith, including reasonable attorneys' fees.

9.4 Export Control. Distributor understands and acknowledges that VMware is subject to regulation by agencies of the United States, including, but not limited to, the U.S. Department of Commerce, which prohibit export or diversion of certain products and technology to certain countries. Any and all obligations of VMware to provide any technical information or assistance shall be subject in all respects to such laws and regulations as shall from time to time govern the license and delivery of technology and products abroad by persons subject to the jurisdiction of the United States, including without limitation the U.S. Export administration Act of 1979, as amended, any successor legislation, and the Export Administration Regulations issued by the U S Department of Commerce, Bureau of Export Administration, Distributor agrees to cooperate with VMware including without limitation, providing required documentation, in order to obtain export licenses or exemptions therefrom. Distributor warrants that it will comply with the U S Export Administration Regulations and other U.S. and foreign laws and regulations governing exports and imports in effect from time to time.

9.5 Foreign Corrupt Practices Act; Compliance with Law. In conformity with the United States Foreign Corrupt Practices Act, Distributor and its employees and agents shall not directly or indirectly make an offer, payment, promise to pay, or authorize payment, or offer a gift, promise to give, or authorize the giving of anything of value for the purpose of influencing an act or decision of an official of any government within the Territory or the United States Government (including a decision not to act) or inducing such a person to use his influence to affect any such governmental act or decision in order to assist VMware in obtaining, retaining or directing any such business. Distributor will at all times comply with all laws and regulations which apply from time to time to the promotion, sale and support of the Products in the Territory.

9.6 **Language.** This Agreement is in the English language only, which language shall be controlling in all respects, and all versions hereof in any other language shall not be binding on the parties hereto. All communications and notices to be made or given pursuant to this Agreement shall be in the English language.

9.7 **Currency.** All Prices and other amounts payable by Distributor hereunder shall be paid in United States Dollars. All references to "dollars", "U.S." or "\$"; shall mean United States dollars.

9.8 **Notices.** Any notice under this Agreement must be in writing and either delivered in person, sent by fax, or first class mail (if within the United States) or sent by air courier to the address set forth on **Exhibit C**, addressed to the contact for Business issues, with a copy of the notice to the contact for Contract/Legal issues, Notices will be considered to have been given at the time of actual delivery in person or by fax, five (5) business days after deposit in the mail, or two business (2) days after delivery to an air courier service.

9.9 **Relationship of the Parties.** The relationship of VMware and Distributor established by this Agreement is that of independent contractors. Nothing contained herein shall constitute either party the agent of the other party, or otherwise grant either party the authority to bind the other party to any obligation, or constitute the parties as partners or joint venturers and neither party shall hold itself out as being an agent, having such authority, or being a partner or joint venturer of the other.

9.10 **Primary Contacts.** The primary VMware and Distributor contacts for business, finance, and contract administration are listed on **Exhibit C**. Either party may change these contacts at any time.

9.11 **Severability.** If any portion of this Agreement (including without limitation the prohibition on de-compiling or reverse engineering) is held to be unenforceable, the remainder of this Agreement will continue to be valid and enforceable to the fullest extent permitted by law.

9.12 **Force Majeure.** Neither party will incur any liability to the other party on account of any loss or damage resulting from any delay or failure to perform all or any part of this Agreement if such delay or failure is caused, in whole or in part, by events, occurrences, or causes beyond the control and without negligence of the parties. Such events, occurrences, or causes will include, without limitation, acts of God, strikes, lockouts, riots, acts of war, earthquake, fire, and explosions, but the inability to meet financial obligations is expressly excluded.

9.13 **Counterparts.** This Agreement may be executed in counter parts, each of which so executed will be deemed to be an original and such counterparts together will constitute one and the same agreement. This Agreement may be executed and delivered by facsimile and the parties agree that such facsimile execution and delivery shall have the same force and effect as delivery of an original document with original signatures, and that each party may use such facsimile signatures as evidence of the execution and delivery of this Agreement by all parties to the same extent that an original signature could be used.

9.14 **Entire Agreement.** The terms and conditions of this Agreement constitute the entire Agreement between the parties and supersede all previous agreements, whether oral or written, between the parties with respect to the subject matter hereof. No amendment or waiver of this Agreement will be binding unless it has been agreed to in writing by both parties. All Orders will be governed by the terms and conditions of this Agreement notwithstanding any preprinted or other terms and conditions contained in such Orders. Any such additional or conflicting terms and conditions on any Distributor Order, acknowledgement or other business form are hereby rejected by VMware.

As of the Effective Date of this Agreement, both parties agree to terminate the existing VMware Distribution Agreement dated September 28, 2000.

IN WITNESS WHEREOF, Distributor and VMware have caused this Agreement to be signed by their duly authorized representatives, effective as of the Effective Date.

VMWARE, INC.		Distributor Lifeboat Distribution	
By:	<u>/s/ Paul R. Auvil</u>	By:	<u>/s/ Daniel T. Jamieson</u>
Name:	<u>Paul R. Auvil</u>	Name:	<u>Daniel T. Jamieson</u>
Title:	<u>Vice President & Chief Financial Officer</u>	Title:	<u>VP & GM</u>
Date:	<u>9-20-04</u>	Date:	<u>Sep. 16, 2004</u>
Fax:	<u></u>	Fax:	<u>732-389-2066</u>
E-mail:	<u></u>	E-mail:	<u>danjamieson@lifeboatdistribution.com</u>
		<u>1157 Shrewsbury Ave.</u>	
		<u>Shrewsbury, N.J. 07702</u>	
		<u>Distributor Address</u>	
		<u>USA</u>	
		<u>Country</u>	



Tel: 650-427-5000

Fax: 650-427-5001

www.vmware.com

July 30, 2008

Attn: Mr. Simon Nynens
Lifeboat Distribution
1157 Shrewsbury Avenue
Shrewsbury, New Jersey 07702
Delivery by e-mail: Michael Simons

RE: NOTICE OF TERMINATION - VMWARE DISTRIBUTOR AGREEMENT

Dear Mr. Nynens:

Pursuant to Section 5.2 of the VMware Distributor Agreement (the "Distributor Agreement"), dated September 20, 2004 (VMware Contract #3376), by and between VMware, Inc. ("VMware") and Lifeboat Distribution (a division of Wayside Technology Group, formerly Programmers Paradise) ("Lifeboat"), VMware hereby submits this letter as notice to terminate the Distributor Agreement (the "Notice"). Capitalized terms not otherwise defined herein shall have the same meaning set forth in the Distributor Agreement.

Pursuant to the terms and conditions of the Distributor Agreement:

1. As of October 1, 2008, VMware shall only accept Lifeboat Orders for distributions to Programmers Paradise;
2. The Distributor Agreement is hereby terminated at close of business on December 31, 2008;
3. In accordance with section 5.2 of the Distributor Agreement, sections 1.4, 2.7, 2.10, 3.2, 4.2, 5.2, 5.3, 6, 7, 8, and 9 shall survive termination of the Distributor Agreement; and
4. Lifeboat's account with VMware will remain open until any remaining amount, past due or otherwise, is paid in full.

Sincerely,

A blue ink signature of Michael A. Bartz, written in a cursive style.

Michael A. Bartz
Senior Contracts Manager
VMware, Inc.

Cc: Lifeboat Legal

3 4 0 1 H I L L V I E W A V E P A L O A L T O C A 9 4 3 0 4

CERTIFICATION

I, Simon F. Nynens, President and Chief Executive Officer of Wayside Technology Group, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wayside Technology Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 14, 2008

/s/ Simon F. Nynens

Simon F. Nynens

Chairman of the Board

President and Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Kevin T. Scull, Vice President and Chief Accounting Officer of Wayside Technology Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wayside Technology Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d) -15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 14, 2008

/s/ Kevin T. Scull

Kevin T. Scull
Vice President and Chief Accounting Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of Wayside Technology Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Simon F. Nynens, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Simon F. Nynens
Simon F. Nynens Chairman of The Board President and Chief Executive Officer (Principal Executive Officer) August 14, 2008

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Wayside Technology Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin T. Scull, Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin T. Scull
Kevin T. Scull Vice President and Chief Accounting Officer (Principal Financial Officer) August 14, 2008

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by Company and furnished to the Securities and Exchange Commission or its staff upon request.