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 March 31, 2020

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	**13-3136104**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4 Industrial Way West, Suite 300, Eatontown, New Jersey 07724
(Address of principal executive offices)

(732) 389-8950
Registrant's Telephone Number

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

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common stock, $.01 par value	WSTG	The NASDAQ Global Market

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 4,351,473 outstanding shares of common stock, par value $.01 per share ("Common Stock") as of May 5, 2020, not including 933,027 shares classified as treasury stock.

Wayside Technology Group, Inc. and Subsidiaries
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PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Wayside Technology Group, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Amounts in thousands, except share and per share amounts)

	March 31, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,587	$ 14,984
Accounts receivable, net of allowances of $785 and $765, respectively	108,791	100,987
Inventory, net	2,248	2,760
Vendor prepayments	560	100
Prepaid expenses and other current assets	2,600	2,718
Total current assets	125,786	121,549
Equipment and leasehold improvements, net	1,122	1,215
Right-of-use assets, net	1,708	1,792
Accounts receivable-long-term, net	1,015	1,358
Other assets	91	111
Deferred income taxes	124	256
Total assets	$ 129,846	$ 126,281
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 82,343	$ 78,364
Lease liability, current portion	370	383
Total current liabilities	82,713	78,747
Lease liability, net of current portion	2,094	2,189
Non-current liabilities	89	89
Total liabilities	84,896	81,025
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 10,000,000 shares authorized; 5,284,500 shares issued: 4,567,444 and 4,505,693 shares outstanding, respectively	53	53
Additional paid-in capital	31,961	32,874
Treasury stock, at cost, 717,056 and 778,807 shares, respectively	(12,209)	(13,256)
Retained earnings	26,776	26,715
Accumulated other comprehensive loss	(1,631)	(1,130)
Total stockholders' equity	44,950	45,256
Total liabilities and stockholders' equity	$ 129,846	$ 126,281

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

Wayside Technology Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings
(Unaudited)
(Amounts in thousands, except per share data)

	Three months ended March 31,	
	2020	**2019**
Net sales	$ 62,618	$ 44,858
Cost of sales	54,454	37,624
Gross profit	8,164	7,234
Selling, general, and administrative expenses	5,500	5,515
Legal and financial advisory expenses - unsolicited bid and related matters	1,323	—
Acquisition related costs	403	—
Income from operations	938	1,719
Other income:		
Interest, net	62	169
Foreign currency transaction gain	115	62
Income before provision for income taxes	1,115	1,950
Provision for income taxes	279	487
Net income	$ 836	$ 1,463
Income per common share-Basic	$ 0.18	$ 0.32
Income per common share-Diluted	$ 0.18	$ 0.32
Weighted average common shares outstanding — Basic	4,447	4,404
Weighted average common shares outstanding — Diluted	4,447	4,404
Dividends paid per common share	$ 0.17	$ 0.17

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

Wayside Technology Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Amounts in thousands)

	Three months ended March 31,	
	2020	**2019**
Net income	$ 836	$ 1,463
Other comprehensive income (loss):		
Foreign currency translation adjustments	(501)	127
Other comprehensive income (loss)	(501)	127
Comprehensive income	$ 335	$ 1,590

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

Wayside Technology Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(Amounts in thousands, except share amounts)

	Common Stock		Additional Paid-In	Treasury		Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Shares	Amount	Earnings	Loss	Total
Balance at January 1, 2020	5,284,500	$ 53	$ 32,874	778,807	$ (13,256)	$ 26,715	$ (1,130)	$ 45,256
Net income	—	—	—	—	—	836	—	836
Translation adjustment	—	—	—	—	—	—	(501)	(501)
Dividends paid	—	—	—	—	—	(775)	—	(775)
Share-based compensation expense	—	—	167	—	—	—	—	167
Restricted stock grants (net of forfeitures)	—	—	(1,080)	(63,810)	1,079	—	—	(1)
Treasury shares repurchased	—	—	—	2,059	(32)	—	—	(32)
Balance at March 31, 2020	5,284,500	$ 53	$ 31,961	717,056	$ (12,209)	$ 26,776	$ (1,631)	$ 44,950

	Common Stock		Additional Paid-In	Treasury		Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Shares	Amount	Earnings	Loss	Total
Balance at January 1, 2019	5,284,500	$ 53	$ 32,392	788,006	$ (13,447)	$ 22,994	$ (1,419)	$ 40,573
Net income	—	—	—	—	—	1,463	—	1,463
Translation adjustment	—	—	—	—	—	—	127	127
Dividends paid	—	—	—	—	—	(767)	—	(767)
Share-based compensation expense	—	—	165	—	—	—	—	165
Restricted stock grants (net of forfeitures)	—	—	(318)	(18,780)	318	—	—	—
Treasury shares repurchased	—	—	—	1,905	(20)	—	—	(20)
Balance at March 31, 2019	5,284,500	$ 53	$ 32,239	771,131	$ (13,149)	$ 23,690	$ (1,292)	$ 41,541

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

Wayside Technology Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Amounts in thousands)

	Three months ended March 31, 2020	
	2020	**2019**
Cash flows from operating activities		
Net income	$ 836	$ 1,463
Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation and amortization expense	96	135
Deferred income tax benefit	132	66
Share-based compensation expense	167	165
Amortization of discount on accounts receivable	(62)	(153)
Amortization of right-of-use assets	112	94
Changes in operating assets and liabilities:		
Accounts receivable	(7,821)	(2,539)
Inventory	507	(163)
Prepaid expenses and other current assets	100	(728)
Vendor prepayments	(460)	1,597
Accounts payable and accrued expenses	4,150	94
Lease liability, net	(134)	(33)
Other assets and liabilities	15	30
Net cash and cash equivalents (used in) provided by operating activities	(2,362)	28
Cash flows from investing activities		
Purchase of equipment and leasehold improvements	1	(82)
Net cash and cash equivalents used in investing activities	1	(82)
Cash flows from financing activities		
Purchase of treasury stock	(32)	(20)
Borrowings under revolving credit facility	1,300	—
Repayments of borrowings under revolving credit facility	(1,300)	—
Dividends paid	(775)	(767)
Net cash and cash equivalents used in financing activities	(807)	(787)
Effect of foreign exchange rate on cash and cash equivalents	(229)	20
Net decrease in cash and cash equivalents	(3,397)	(821)
Cash and cash equivalents at beginning of period	14,984	14,883
Cash and cash equivalents at end of period	$ 11,587	$ 14,062
Supplementary disclosure of cash flow information:		
Income taxes paid	$ 108	$ 161

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
March 31, 2020
(Unaudited)
(Amounts in tables in thousands, except share and per share amounts)

1. **Basis of Presentation:**

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

The preparation of these condensed consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and 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, intangible assets, income taxes, stock-based compensation, evaluation of performance obligations and allocation of revenue to distinct items, contingencies and litigation. The Company bases its estimates on its historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. In the opinion of the Company's management, all adjustments that are of a normal recurring nature, considered necessary for fair presentation, have been included in the accompanying condensed consolidated financial statements. The Company's actual results may differ from these estimates under different assumptions or conditions. The unaudited condensed consolidated statements of earnings for the interim periods are not necessarily indicative of results for the full year. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K filed with the Securities Exchange Commission for the year ended December 31, 2019.

2. **Recently Issued Accounting Standards:**

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *"Financial Instruments - Credit Losses (Topic 326)"* ("ASU 2016-13"). ASU 2016-13 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. Originally, ASU 2016-13 was effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. In November 2019, FASB issued ASU 2019-10, "*Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic* 842)." This ASU defers the effective date of ASU 2016-13 for public companies that are considered smaller reporting companies as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is planning to adopt this standard in the first quarter of fiscal 2023. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-13 on its Consolidated Financial Statements, particularly its recognition of allowances for accounts receivable.

In December 2019, the FASB issued ASU 2019-12, *"Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"* as part of its initiative to reduce complexity in the accounting standards. The standard eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The standard also clarifies and simplifies other aspects of the accounting for income taxes. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact that this guidance will have upon its financial position and results of operations, if any.

3. **Foreign Currency Translation:**

Assets and liabilities of the Company's foreign subsidiaries have been translated using the end of the reporting period exchange rates, and related revenues and expenses have been translated at average rates of exchange in effect during the period. Foreign currency transaction gains and losses are recorded as income or expenses as amounts are settled. The net

sales from our foreign operations for the three months ended March 31, 2020 and 2019 were $4.7 million and $5.2 million, respectively.

4. **Comprehensive Income:**

Cumulative translation adjustments have been classified within accumulated other comprehensive loss, which is a separate component of stockholders' equity in accordance with FASB ASC Topic 220, "Comprehensive Income."

5. **Revenue Recognition:**

The core principle of the revenue recognition criteria is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services. This principle is achieved through applying the following five-step approach:

Identification of the contract, or contracts, with a customer — A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and, (iii) we determine that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. We apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer. The Company considers customer purchase orders, which in some cases are governed by master agreements or general terms and conditions of sale, to be contracts with customers. All revenue is generated from contracts with customers.

Identification of the performance obligations in the contract —Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, we apply judgment to determine whether promised goods or services are capable of being distinct in the context of the contract. If these criteria are not met the promised goods or services are accounted for as a single performance obligation.

Determination of the transaction price —The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer, net of sales taxes collected from customers, which are subsequently remitted to governmental entities. Net sales are recorded net of estimated discounts, rebates, and returns. Vendor rebates are recorded when earned as a reduction to cost of sales or inventory, as applicable.

Allocation of the transaction price to the performance obligations in the contract— If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price, or SSP, basis. We determine SSP based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through established standard prices, we use judgement and estimate the standalone selling price considering available information such as market pricing and pricing related to similar products. Contracts with a significant financing component are discounted to their present value at contract inception and accreted up to the expected payment amounts. These contracts generally offer customers extended payment terms of up to three years.

Recognition of revenue when, or as, we satisfy a performance obligation— The Company recognizes revenue when its performance obligations are complete, and control of the specified goods or services pass to the customer. The Company considers the following indicators in determining when control passes to the customer: (i) the Company has a right to payment for the product or service (ii) the customer has legal title to the product, (iii) the Company has transferred physical possession of the product (iv) the Customer has the significant risk and rewards of ownership of the product and (v) the customer has accepted the product. Substantially all our performance obligations are satisfied at a point in time, as our obligation is to deliver a product or fulfill an order for a third party to deliver ongoing services, maintenance or support.

Disaggregation of Revenue

We generate revenue from the re-sale of third-party software licenses, subscriptions, hardware, and related service contracts. Finance fees related to sales are classified as interest income. The following table depicts the disaggregation of revenue according to revenue type and is consistent with how we evaluate our financial performance:

	(Unaudited) Three months ended	
Net sales:	**March 31, 2020**	**March 31, 2019**
Hardware, software and other products	$ 57,583	$ 40,189
Software - security & highly interdependent with support	1,953	1,892
Maintenance, support & other services	3,082	2,777
Net sales	$ 62,618	$ 44,858

Hardware, software and other products - Hardware product consists of sales of hardware manufactured by third parties. Hardware product is delivered from our warehouse or drop shipped directly from the vendor. Revenue from our hardware products is recognized on a gross basis, with the selling price to the customer as net sales, and the cost of the related product as cost of sales, upon transfer of control to the customer, as the Company is acting as a principal in the transaction. Control is generally deemed to have passed to the customer upon transfer of title and risk of ownership.

Software product consists of sales of perpetual and term software licenses for products developed by third party vendors, which are distinct from related maintenance and support. Software licenses are delivered via electronic license keys provided by the vendor to the end user. Revenue from the sale of software products is recognized on a gross basis, with the selling price to the customer as net sales, and the cost of the related product as cost of sales, upon transfer of control to our customers as the Company is a principal in the transaction. Control is deemed to have passed to the customer when they acquire the right to use or copy the software under license as substantially all product functionality is available to the customer at the time of sale. Other products include marketing revenues that are recorded on a gross basis as the Company is a principal in the arrangement.

Software maintenance and support, commonly known as software assurance or post contract support, consists of software updates and technical support provided by the software vendor to the licensor over a period. In cases where the software maintenance is distinct from the related software license, software maintenance is accounted for as a separate performance obligation. In cases where the software maintenance is not distinct from the related software license, it is accounted for as a single performance obligation with the related license. We utilize judgement in determining whether the maintenance is distinct from the software itself. This involves considering if the software provides its original intended functionality without the updates, or is dependent on frequent, or continuous updates to maintain its functionality. See *Allocation of the transaction price to the performance obligations in the contract* for a discussion of the allocation of maintenance and support costs when they are distinct from the related software licenses and *Software - security and highly interdependent with support* below for a discussion of maintenance and support costs when they are not distinct from the related software license.

Software - security and highly interdependent with support - Software - security software and software highly interdependent with support consists of sales of security subscriptions and other licensed software products whose functionality is highly interdependent with, and therefore not distinct from, related software maintenance. Delivery of the software license and related support over time is considered a single performance obligation of the third-party vendor for these products. The Company is an agent in these transactions, with revenue being recorded on a net basis when its performance obligation of processing a valid order between the supplier and customer contracting for the services is complete.

Maintenance, support and other services revenue - Maintenance, support and other services revenue consists of third-party post-contract support that is not critical or essential to the core functionality of the related licensed software, and, to a lesser extent, from third-party professional services, software as a service, and cloud subscriptions. Revenue from maintenance, support and other service revenues is recognized on a net basis, upon fulfillment of an order to the customer, as the Company is an agent in the transaction, and its performance obligations are complete at the time a valid order between the parties is processed.

Costs to obtain and fulfill a contract - We pay commissions and related payroll taxes to sales personnel when customers are invoiced. These costs are recorded as selling general and administrative expenses in the period earned as all our performance obligations are complete within a short window of processing the order.

Contract balances - Accounts receivable is recorded at the invoiced amount, net of an allowance for doubtfulaccounts. A receivable is recognized in the period we deliver goods or provide services or when our right to consideration is unconditional. Payment terms on invoiced amounts are typically 30-75 days. The balance of accounts receivable, net of allowance for doubtful accounts as of March 31, 2020 and December 31, 2019 is presented in the accompanying Consolidated Balance Sheets. Accounts receivable-long-term result from product sales with extended payment terms that are discounted to their present values at the Company's estimates of prevailing market rates at the time of the sale. The Company has determined that these amounts do not represent variable consideration as the amount earned is fixed. In subsequent periods, the accounts receivable is increased to the amounts due and payable by the customers through the accretion of interest income on the unpaid accounts receivable due in future years. The amounts due under these long-term accounts receivable due within one year are reclassified to the current portion of accounts receivable and are shown net of reserves. As our revenues are generally recognized at a point in time in the same period as they are billed, we have no deferred revenue balances. Provisions for doubtful accounts including long-term accounts receivable and returns are estimated based on historical write offs, sales returns and credit memo analysis which are adjusted to actual on a periodic basis.

Refund liability – The Company records a refund liability for expected product returns with a corresponding asset for an amount representing any expected recovery from vendors regarding the return.

Principal versus agent considerations – The Company determines whether it is acting as a principal or agent in a transaction by assessing whether it controls a good or service prior to it being transferred to a customer, with control being defined as having the ability to direct the use of and obtain the benefits from the asset. The Company considers the following indicators, among others, in making the determination: 1) the Company is primarily responsible for fulfilling the promise to provide the promised good or service, 2) the Company has inventory risk, before or after the specified good or service has been transferred to the customer, and 3) the Company has discretion in establishing price for the specified good or service. Generally, we conclude that we are a principal in transactions where software or hardware products containing their core functionality are delivered to the customer at the time of sale and are agents in transactions where we are arranging for the provision of future performance obligations by a third party. As we enter into distribution agreements with third-party service providers, we evaluate whether we are acting as a principal or agent for each product sold under the agreement based on the nature of the product or service, and our performance obligations. Products for which there are significant ongoing third-party performance obligations include software maintenance, which includes periodic software updates and support, security software that is highly interdependent with maintenance, software as a service, cloud and third-party professional services. Sales of hardware, software and other products where we are a principal are recorded on a gross basis with the selling price to the customer recorded as sales and the cost of the product or software recorded as cost of sales. Sales where we are acting as an agent are recognized on a net basis at the date our performance obligations are complete. Under net revenue recognition, the cost paid to the vendor or third-party service provider is recorded as a reduction to sales, resulting in revenue being equal to the gross profit on the transaction.

6. **Right-of-use Asset and Lease Liability:**

The Company has entered into operating leases for office and warehouse facilities, which have terms at lease commencement that range from 3 years to 11 years. The Company determines if an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and lease expense for these leases is recognized on a straight-line basis over the lease term.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date of the lease based on the present value of the lease payments over the lease term. As our leases do not provide a readily determinable implicit rate, we use an incremental borrowing rate based on the information available at commencement date, including lease term, in determining the present value of future payments. The operating lease asset also includes any lease payments made and excludes lease incentives. Operating lease expense is recognized on a straight-line basis over the lease term and included in selling, general and administrative expenses.

Information related to the Company's right-of-use assets and related lease liabilities were as follows:

	(Unaudited) Three months ended March 31, 2020	(Unaudited) Three months ended March 31, 2019
Cash paid for operating lease liabilities	$ 120	$ 124
Right-of-use assets obtained in exchange for new operating lease obligations (1)	$ —	$ 2,163
Weighted-average remaining lease term	6.9 years	7.8 years
Weighted-average discount rate	3.4%	3.4%

(1) Represents operating leases existing on January 1, 2019 and recognized as part of the Company's adoption ofASU 2016-02. No new operating leases commenced during the three months ended March 31, 2020 and 2019.

Maturities of lease liabilities as of March 31, 2020 were as follows:

2020 (excluding the three months ended March 31, 2020)	$ 318
2021	405
2022	414
2023	463
2024	473
Thereafter	1,100
	3,173
Less: imputed interest	(709)
Total lease liabilities	$ 2,464
Lease liabilities, current portion	370
Lease liabilities, net of current portion	2,094
Total lease liabilities	$ 2,464

7. **Fair Value:**

The carrying amounts of financial instruments, including cash and cash equivalents, short-term accounts receivable and accounts payable approximated fair value at March 31, 2020 and December 31, 2019 because of the relative short maturity of these instruments. The Company's accounts receivable long-term are discounted to their present value at prevailing market rates at the time of sale.

8. **Balance Sheet Detail:**

Equipment and leasehold improvements consist of the following:

	(Unaudited) March 31, 2020	December 31, 2019
Equipment	$ 2,230	$ 2,230
Leasehold improvements	1,289	1,289
	3,519	3,519
Less accumulated depreciation and amortization	(2,397)	(2,304)
	$ 1,122	$ 1,215

During the three months ended March 31, 2020 and 2019, the Company recorded depreciation and amortization expense of $0.1 million, respectively. Depreciation and amortization expense are included in selling, general and administrative expense.

In limited circumstances, the Company offers extended payment terms to customers for periods of 12 to 48 months. The related customer receivables are classified as accounts receivable long-term and discounted to their present value at prevailing market rates at the time of sale. In subsequent periods, the accounts receivable is increased to the amounts due

and payable by the customers through the accretion of interest income on the unpaid accounts receivable due in future years. The amounts under these long-term accounts receivable due within one year are reclassified to the current portion of accounts receivable. At times the Company sells receivables to a financial institution on a non-recourse basis for cash, less a discount. The net proceeds from such sales are included in the operating section of the statement of cash flows as changes in accounts receivable. Accounts receivable long term, net consists of the following:

	(Unaudited) March 31, 2020	December 31, 2019
Total amount due from customer	$ 5,303	$ 5,656
Less: unamortized discount	(131)	(194)
Less: current portion included in accounts receivable	(4,157)	(4,104)
	$ 1,015	$ 1,358

The undiscounted cash flows to be received by the Company relating to these accounts receivable long-term expects to be $4.3 million and $1.0 million during the 12-month periods ending March 31, 2021 and 2022, respectively.

Accounts payable and accrued expenses consist of the following:

	(Unaudited) March 31, 2020	December 31, 2019
Trade accounts payable	$ 76,988	$ 73,310
Accrued expenses	5,355	5,054
	$ 82,343	$ 78,364

9. **Credit Facility:**

On November 15, 2017, the Company entered into a $20,000,000 revolving credit facility (the "Credit Facility") with Citibank, N.A. ("Citibank") pursuant to a Second Amended and Restated Revolving Credit Loan Agreement (the "Loan Agreement"), Second Amended and Restated Revolving Credit Loan Note (the "Note"), Second Amended and Restated Security Agreement (the "Security Agreement") and Second Amended and Restated Pledge and Security Agreement (the "Pledge Agreement"). The Credit Facility, which will be used for working capital and general corporate purposes, matures on August 31, 2020, at which time the Company must pay all outstanding principal of all outstanding loans plus all accrued and unpaid interest, and any, fees, costs and expenses. In addition, the Company will pay regular monthly payments of all accrued and unpaid interest. The interest rate for any borrowings under the Credit Facility is subject to change from time to time based on the changes in the LIBOR Rate, as defined in the Loan Agreement (the "Index"). The Index was 1.62% at March 31, 2020. Interest on the unpaid principal balance of the Note will be calculated using a rate of 1.50 percentage points over the Index. If the Index becomes unavailable during the term of the Credit Facility, interest will be based upon the Prime Rate (as defined in the Loan Agreement) after notifying the Company. The Credit Facility is secured by the assets of the Company.

Among other affirmative covenants set forth in the Loan Agreement, the Company must maintain (i) a minimum Debt Service Coverage Ratio (as defined in the Loan Agreement) of not less than 2.0 to 1.0, (ii) a maximum Leverage Ratio (as defined in the Loan Agreement) of at least 2.5 to 1.0, and (iii) a minimum Collateral Coverage Ratio (as defined in the Loan Agreement) of not less than 1.5 to 1.0. Additionally, the Loan Agreement contains negative covenants prohibiting, among other things, the creation of certain liens, the alteration of the nature or character of the Company's business, and transactions with the Company's shareholders, directors, officers, subsidiaries and/or affiliates other than with respect to (i) the repurchase of the issued and outstanding capital stock of the Company from the stockholders of the Company or (ii) the declaration and payment of dividends to the stockholders of the Company. The Company was in compliance with all such covenants at March 31, 2020 and December 31, 2019.

At March 31, 2020 and December 31, 2019, the Company had no borrowings outstanding under the Credit Facility.

10. **Earnings Per Share:**

Our basic and diluted earnings per share are computed using the two-class method. The two-class method is an earnings allocation that determines net income per share for each class of common stock and participating securities according to their participation rights in dividends and undistributed earnings or losses. Non-vested restricted stock awards that include non-forfeitable rights to dividends are considered participating securities. Per share amounts are computed by dividing net income available to common shareholders by the weighted average shares outstanding during each period. Diluted and basic earnings per share are the same because the restricted shares are the only potentially dilutive security.

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

	(Unaudited) Three months ended March 31,	
	2020	2019
Numerator:		
Net income	$ 836	$ 1,463
Less distributed and undistributed income allocated to participating securities	20	34
Net income attributable to common shareholders	816	1,429
Denominator:		
Weighted average common shares (Basic)	4,447	4,404
Weighted average common shares including assumed conversions (Diluted)	4,447	4,404
Basic net income per share	$ 0.18	$ 0.32
Diluted net income per share	$ 0.18	$ 0.32

11. **Major Customers and Vendors:**

The Company had two major vendors that accounted for 22% and 14%, respectively, of total purchases during the three months ended March 31, 2020 and 28% and 16%, respectively, of total purchases during the three months ended March 31, 2019.

The Company had two major customers that accounted for 27% and 14%, respectively, of its net sales during the three months ended March 31, 2020 and 26% and 18%, respectively, of its net sales during the three months ended March 31, 2019. These same customers accounted for 43% and 9%, respectively, of total net accounts receivable as of March 31, 2020 and 43% and 12%, respectively, of total net accounts receivable as of December 31, 2019.

12. **Income Taxes:**

The Company has analyzed filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. In prior years, the Company recorded an accrual of $0.5 million, net of federal tax benefit, for potential liabilities for state income taxes in states which have enacted economic nexus statutes and in which the Company has not filed income tax returns. The Company's policy is to recognize interest related to unrecognized tax benefits as interest expense and penalties as operating expenses. The Company believes that it has appropriate support for the income tax positions it takes and expects to take on its tax returns, and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter.

The effective tax rate for the three months ended March 31, 2020 and March 31, 2019 was 25.0%.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

We continue to examine the impact that the CARES Act may have on our business. Currently, we are unable to determine the impact that the CARES Act will have on our financial condition, results of operations, or liquidity.

13. **Stockholders' Equity and Stock Based Compensation:**

The 2012 Stock-Based Compensation Plan (the "2012 Plan") authorizes the grant of Stock Options, Stock Units, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses and other equity-based awards. The total number of shares of Common Stock initially available for award under the 2012 Plan was 600,000, which was increased to 1,000,000 shares by shareholder approval at the Company's 2018 Annual Meeting in June 2018. As of March 31, 2020, the number of shares of Common Stock available for future award grants to employees, officers and directors under the 2012 Plan is 449,837.

During the three months ended March 31, 2020, the Company granted a total of 66,560 shares of Restricted Stock to officers. These shares of Restricted Stock vest in sixteen equal quarterly installments. During the three months ended March 31, 2020, a total of 2,750 shares of Restricted Stock were forfeited.

During the three months ended March 31, 2019, the Company granted a total of 20,405 shares of Restricted Stock to officers and employees. These shares of Restricted Stock vest over time in sixteen equal quarterly installments. During the three months ended March 31, 2019, a total of 1,625 shares of Restricted Stock were forfeited.

A summary of nonvested shares of Restricted Stock awards outstanding under the 2012 Plan as of March 31, 2020, and changes during the three months then ended is as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested shares at January 1, 2020	63,922	$ 14.94
Granted in 2020	66,560	12.58
Vested in 2020	(10,880)	14.28
Forfeited in 2020	(2,750)	17.92
Nonvested shares at March 31, 2020	116,852	$ 13.59

As of March 31, 2020, there is approximately $1.5 million of total unrecognized compensation costs related to nonvested share-based compensation arrangements. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.9 years.

During the three months ended March 31, 2020 and March 31, 2019, the Company recognized share-based compensation expense of $0.2 million.

14. **Segment Information:**

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

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

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

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

	(Unaudited) Three months ended March 31,	
	2020	**2019**
Revenue:		
Lifeboat Distribution	$ 57,264	$ 40,055
TechXtend	5,354	4,803
	62,618	44,858
Gross Profit:		
Lifeboat Distribution	$ 7,162	$ 6,198
TechXtend	1,002	1,036
	8,164	7,234
Direct Costs:		
Lifeboat Distribution	$ 2,637	$ 2,484
TechXtend	462	437
	3,099	2,921
Segment Income Before Taxes: (1)		
Lifeboat Distribution	$ 4,525	$ 3,714
TechXtend	540	599
Segment Income Before Taxes	5,065	4,313
General and administrative	$ 2,401	$ 2,594
Legal and financial advisory expenses - unsolicited bid and related matters	1,323	—
Acquisition related costs	403	—
Interest, net	62	169
Foreign currency transaction gain	115	62
Income before taxes	$ 1,115	$ 1,950

(1) Excludes general corporate expenses including interest and foreign currency translation expenses.

Selected Assets by Segment:	(Unaudited) As of March 31, 2020	As of December 31, 2019
Lifeboat Distribution	$ 107,450	$ 99,602
TechXtend	5,164	5,603
Segment Select Assets	112,614	105,205
Corporate Assets	17,232	21,076
Total Assets	$ 129,846	$ 126,281

Disaggregation of Revenue:	(Unaudited) Three months ended March 31, 2020	March 31, 2019
Lifeboat Distribution		
Hardware, software and other products	$ 52,494	$ 35,852
Software - security & highly interdependent with support	1,925	1,836
Maintenance, support & other services	2,845	2,367
Net Sales	$ 57,264	$ 40,055
TechXtend		
Hardware, software and other products	$ 5,089	$ 4,337
Software - security & highly interdependent with support	28	56
Maintenance, support & other services	237	410
Net Sales	$ 5,354	$ 4,803

15. **Related Party Transactions:**

The Company made sales to a customer where a member of our Board of Directors is an executive. During the three months ended March 31, 2020 and 2019, net sales to this customer totaled less than $0.1 million, respectively, and amounts due from this customer as of March 31, 2020 and December 31, 2019 totaled less than $0.1 million, respectively, which were settled in cash subsequent to each period end.

16. **Unsolicited Bid and Shareholder Demand:**

On July 15, 2019, the Company received a letter from Shepherd Kaplan Krochuk, LLC (“SKK”) and North & Webster SSG, LLC (“N&W”) announcing an unsolicited bid to acquire the Company for $14.37 per share (the “July 15 Proposal”), which reflected an approximate 32.8% premium over the Company’s adjusted closing stock price on July 12, 2019, one trading day earlier. The July 15 Proposal was subject to a number of contingencies, including the need for SKK and N&W to secure financing to complete a transaction. On August 23, 2019, the Company received another unsolicited offer from SKK and N&W, proposing to acquire the Company for $16.38 per share (the “August 23 Proposal”), which reflected an approximate 18.1% premium over the Company’s closing stock price one day earlier, and requesting members of the Board and management to enter into voting and support agreements in connection with the execution of a definitive merger agreement. The August 23 Proposal, similar to the July 15 Proposal, was subject to a number of contingencies, including the need for SKK and N&W to secure financing to complete a transaction.

On November 27, 2019, SKK, N&W, and Messrs. Shepherd, Kaplan, Krochuk and Kidston (collectively, the “SKK 13D Group”) entered into a Joint Filing Agreement and filed a Schedule 13D with the SEC, disclosing an aggregate 5.8% ownership stake in the Company. Also on November 27, 2019, Mr. Nynens entered into an agreement with SKK and N&W (the “November 27 Agreement”), granting SKK an irrevocable proxy to vote his shares of Common Stock (i) in favor of any acquisition proposal by SKK, (ii) against any third-party acquisition, and (iii) as directed by SKK with respect to the election of directors nominated by persons other than the Company. The November 27 Agreement also provides that, upon the consummation of the acquisition by an SKK-controlled entity of up to 100% of the outstanding capital stock of the Company, Nynens be appointed as Executive Chairman of the Company at an annual base salary of $250,000 in addition to stock option grants or comparable equity awards representing three percent (3%) of the outstanding equity of the Company, and for a minimum term of three (3) years.

On December 20, 2019, Mr. Nynens delivered a nomination notice to the Company regarding his intent to nominate Kim J. McCauley, Delynn Copley, Dennis M. Crowley, III and Nilesh Shah at the Meeting (the “Nomination Notice”).

On December 23, 2019, the SKK 13D Group filed Amendment No. 2 to its Schedule 13D disclosing the Nomination Letter and stating that it sought to engage in discussions with the Company's management and Board about its composition, the Company's financial position and other means of enhancing stockholder value, including the potential sale of the Company. Mr. Nynens filed Amendment No. 3 to his Schedule 13D, disclosing and stating the same.

On January 22, 2020, the Company received a letter from one of its stockholders demanding that the Board investigate and bring an action against Mr. Nynens for breaches of certain restrictive covenants contained in his Separation and Release Agreement, dated May 11, 2018 (the "Nynens Separation Agreement"), including his covenant not to seek future employment with the Company (the "Shareholder Derivative Demand").

On February 11, 2020, after considering the proposals with its financial advisers, the Board responded to SKK and N&W that the expired proposal received on December 10, 2019 would not have been in the best interests of the Company's stockholders because it undervalues the Company, and did not serve as a basis for further diligence or discussion.

On February 14, 2020, after conducting an investigation, and in response to the Shareholder Derivative Demand, the Company filed a lawsuit (the "Lawsuit") against Mr. Nynens, SKK, and N&W in the Superior Court of New Jersey Monmouth County, asserting claims against Mr. Nynens for alleged breaches of the Nynens Separation Agreement, including for violating his covenant not to seek future employment with the Company, and claims for tortious interference against SKK and N&W for inducing Mr. Nynens to commit these breaches. In connection with its claims, the Company sought monetary damages, injunctive relief and a declaratory judgment.

17. **Contingencies:**

In January 2020, the Company entered into an agreement with a financial advisory firm ("Advisor") to provide services related to an unsolicited offer to buy the Company. As part of the agreement, among other things, the Company granted a right of first refusal to the Advisor to act as the Company's financial advisor in a potential sale or merger of the Company, and agreed to pay a contingent fee of $0.5 million if there is no such change in control of the Company as of the expiration of the agreement, on December 31, 2020. Achievement of the criteria in the agreement and payment of the contingent fees are dependent on a number of factors that are outside of the Company's control, including actions requiring potential approval by the Company's shareholders. Therefore, no accrual for the contingent fee has been recorded as of March 31, 2020.

As part of the evaluation of an unsolicited offer to purchase the Company, nomination of directors by a shareholder, and shareholder demand to investigate a potential breach in a separation agreement, the Company incurred approximately $1.3 million in legal and advisory expenses during the three months ended March 31, 2020. In connection with this the Company made certain claims for reimbursement under its insurance policies. As of March 31, 2020, reimbursement for insurance proceeds under these policies have not been recorded as they have not been realized.

18. **Subsequent Events:**

Unsolicited Bid and Shareholder Demand

On April 16, 2020 (the "Effective Date"), the Company entered into a Settlement Agreement (the "Agreement") with Mr. Nynens, SKK, N&W, and each of Dennis Crowley, David Shepherd, David Kaplan, Timothy Krochuk and Samuel Kidston (collectively with SKK and N&W, the "SKK Parties"). Pursuant to the Agreement, the Company agreed to voluntarily dismiss the Lawsuit with prejudice, and it did so on April 21, 2020. The Company also agreed to purchase all of Mr. Nynens' 261,631 shares of the Company's common stock, par value $0.01 per share ("Common Stock") owned, of record or beneficially, as of the Effective Date, at a price set by calculating the volume-weighted average price of such shares trading on the NASDAQ Global Market for the ten trading days ending on the close of the trading day immediately preceding the Effective Date, and with each party paying for its own fees and expenses. As of the Effective Date, Mr. Nynens and the SKK Parties agreed to terminate November 27 Agreement and did so on April 16, 2020. Further, the SKK Parties agreed to terminate the Joint Filing Agreement, dated November 27, 2019, by and between Mr. Nynens and the SKK Parties, and did so on April 16, 2020. Additionally, as of the Effective Date, Mr. Nynens agreed to withdraw the notice of intent to nominate director candidates for election at the 2020 annual meeting of stockholders of the Company, submitted by Mr. Nynens on December 20, 2019, and to cease all solicitation of proxies and other activities in connection with such annual meeting, and Mr. Nynens did so on April 16, 2020.

On April 23, 2020, the Company completed the purchase of 261,631 shares of common stock at $13.19 per share pursuant to the Settlement Agreement, representing approximately 5.8% of the issued and outstanding common stock of the Company, for a purchase price of $3.5 million.

Acquisition of Interwork Technologies

On April 20, 2020, CLIMB Channel Solutions (Canada) Inc. ("Buyer"), a newly-formed indirect subsidiary of the Company, entered into a Stock Purchase Agreement (the "SPA") with Interwork Group, Inc. ("Seller"), Interwork Technologies Inc., a Delaware corporation ("Interwork US"), Interwork Technologies Inc., a corporation incorporated under the laws of the Province of Ontario, Canada ("Interwork Canada"), and Firepower Equity Inc. On April 30, 2020, Buyer completed the acquisition of Interwork US and Interwork Canada.

Pursuant to the SPA, Buyer acquired Interwork US and Interwork Canada for an aggregate purchase price of $5 million Canadian dollar paid at closing plus a potential post-closing $1.1 million Canadian dollar earn-out.

The SPA contains customary representations, warranties and covenants. The SPA also contains indemnification obligations of both Buyer and Seller, subject to certain limitations, and covenants regarding the conduct of each party prior to closing.

COVID-19

In March 2020, the World Health Organization declared the novel coronavirus, COVID-19, a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the Company offers a full suite of solutions and services that address customer priorities across the technology landscape, it is not possible for the Company to predict the duration or magnitude of adverse results of the outbreak and its effects on the Company's business, liquidity or results of operations at this time.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of risk and uncertainties, including those set forth under the heading "Forward Looking Statements" and "Item 1A. Risk Factors" and elsewhere in this report and those set forth in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission on March 4, 2020. The following discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes included in this report and the consolidated financial statements and related notes included in our 2019 Annual Report on Form 10-K.

Overview

Wayside Technology Group, Inc. (the "Company," "we," "our," or "us") distributes software and hardware developed by others through resellers indirectly to customers worldwide. We also resell computer software and hardware developed by others to customers in the United States and Canada. In addition, we operate a sales branch in Europe to serve our customers in this region of the world. We offer an extensive line of products from leading publishers of software and tools for virtualization/cloud computing, security, networking, storage and infrastructure management, application lifecycle management and other technically sophisticated domains as well as computer hardware. We market these products through creative marketing communications, including our web sites, local and on-line seminars, webinars, social media, direct e-mail, and printed materials.

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

COVID-19

We are closely monitoring the impact of the 2019 novel coronavirus, or COVID-19, pandemic on all aspects of our business.

In the first quarter of 2020, we took a number of precautionary measures designed to help minimize the risk of the spread of the virus to our employees, including temporarily closing our offices and requiring all employees to work remotely.

While we did not incur significant disruptions to our operations during the three months ended March 31, 2020 as a result of the COVID-19 pandemic, we are unable to predict the impact that the COVID-19 pandemic will have on our business, liquidity or results of operations at this time.

This situation is changing rapidly, and additional impacts may arise that we are not aware of currently. For further information regarding the impact of COVID-19, see Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q.

Factors Influencing Our Financial Results

We derive the majority of our net sales though the sale of third-party software licenses, maintenance and service agreements. In our Lifeboat distribution segment, sales are impacted by the number of product lines we distribute, and sales penetration of those products into the reseller channel. In our TechXtend segment sales are generally driven by sales force effectiveness and success in providing superior customer service, competitive pricing, and flexible payment solutions to our customers. Our sales are also impacted by external factors such as levels of IT spending and customer demand for products we distribute.

We sell in a competitive environment where gross product margins on adjusted gross billings have historically declined due to competition and changes in product mix towards products where no delivery of a physical product is required. To date, we have been able to implement cost efficiencies such as the use of drop shipments, electronic ordering ("EDI") and other capabilities to be able to operate our business profitably as gross margins have declined.

Selling general and administrative expenses are comprised mainly of employee salaries, commissions and other employee related expenses, facility costs, costs to maintain our IT infrastructure, public company compliance costs and professional fees. We monitor our level of accounts payable, inventory turnover and accounts receivable turnover which are measures of how efficiently we utilize capital in our business.

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

Dividend Policy and Share Repurchase Program. Historically we have sought to return value to investors through the payment of quarterly dividends and share repurchases. Total dividends paid and shares repurchased were $0.8 million and less than $0.1 million during each of the three months ended March 31, 2020 and 2019, respectively. The payment of future dividends and share repurchases is at the discretion of our Board of Directors and dependent on results of operations, projected capital requirements and other factors the Board of Directors may find relevant.

Stock Volatility. The technology sector of the United States stock markets is subject to substantial volatility. 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, the potential adverse effect of the current pandemic of COVID-19, fluctuations in the Company's operating results, announcements regarding litigation, the loss of a significant vendor or customer, increased competition, reduced vendor incentives and trade credit, higher operating expenses, and other developments, could have a significant impact on the market price of our Common Stock.

Forward Looking Statements

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

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Substantial risks and uncertainties unknown at this time could cause actual results to differ materially from those indicated by such forward-looking statements, including, but not limited to, the continued acceptance of the Company's distribution channel by vendors and customers, the timely availability and acceptance of new products, product mix, market conditions, competitive pricing pressures, contribution of key vendor relationships and support programs, including vendor rebates and discounts, as well as factors that affect the software industry in general and other factors generally. Currently, one of the most significant factors is the potential adverse effect of the current pandemic of COVID-19 on the Company, the global economy and financial markets. The extent to which COVID-19 impacts the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, including the impact on our reseller partners and the end customer markets they serve, among others. We strongly urge current and prospective investors to carefully consider the cautionary statements and risk factors contained in this report and our annual report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission on March 4, 2020.

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

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

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

Financial Overview

Net sales increased 40%, or $17.7 million, to $62.6 million for the three months ended March 31, 2020 compared to $44.9 million for the same period in the prior year. Gross profit increased 13%, or $1.0 million, to $8.2 million for the three months ended March 31, 2020 compared to $7.2 million for the same period in the prior year. Selling, general and administrative ("SG&A") expenses for the three months ended March 31, 2020 remained consistent at $5.5 million with the same period in the prior year. Legal and financial advisory expenses – unsolicited bid and related matters for the three months ended March 31, 2020 were $1.3 million compared to no expense for the same period in the prior year. Acquisition related costs for the three months ended March 31, 2020 were $0.4 million compared to no expense for the same period in the prior year. Net income for the three months ended March 31, 2020 was $0.8 million compared to $1.5 million for the same period in the prior year. Diluted income per share for the three months ended March 31, 2020 was $0.18 compared to $0.32 for the same period in the prior year.

Critical Accounting Policies and Estimates

Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements that have been prepared in accordance with US GAAP. 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, intangible assets, income taxes, stock-based compensation, contingencies and litigation.

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

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

Revenue

The Company makes estimates regarding performance obligations inherent in the products and services it sells including, whether ongoing maintenance obligations performed by third party vendors are distinct from the related software licenses, and allocation of sales prices among distinct performance obligations. These estimates require significant judgement to determine whether the software's functionality is dependent on ongoing maintenance or if substantially all functionality is available in the original software download. We also use judgement in the allocation of sales proceeds among performance obligations, utilizing observable data such as stand-alone selling prices, or market pricing for similar products and services.

Allowance for Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management determines the estimate of the allowance for uncollectible accounts receivable by considering a number of factors, including: historical experience, aging of the accounts receivable, and specific information obtained by the Company on the financial condition and the current creditworthiness of its customers. 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. At the time of sale, we record an estimate for sales returns based on historical experience. If actual sales returns are greater than estimated by management, additional expense may be incurred.

Accounts Receivable – Long Term

In limited circumstances, the Company offers extended payment terms to customers for periods of 12 to 48 months. The related customer receivables are classified as accounts receivable long-term and discounted to their present value at prevailing market rates at the time of sale. In subsequent periods, the accounts receivable is increased to the amounts due and payable by the customers through the accretion of interest income on the unpaid accounts receivable due in future years. The amounts under these long-term accounts receivable due within one year are reclassified to the current portion of accounts receivable. At times the Company sells receivables to a financial institution on a non-recourse basis for cash, less a discount. The net proceeds from such sales are included in the operating section of the statement of cash flows as changes in accounts receivable.

Inventory Allowances

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.

Income Taxes

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

Share-Based Payments

Under the fair value recognition provision, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period. We record the impact of forfeitures when they occur. We review our valuation assumptions periodically and, as a result, we may change our valuation assumptions used to value stock-based awards granted in future periods. Such changes may lead to a significant change in the expense we recognize in connection with share-based payments.

Interest, Net

Interest, net consists primarily of income from the amortization of the discount on accounts receivable long term, net of interest expense on the Company's credit facility.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *"Financial Instruments - Credit Losses (Topic 326)"* ("ASU 2016-13"). ASU 2016-13 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. Originally, ASU 2016-13 was effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. In November 2019, FASB issued ASU 2019-10, "*Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic* 842)." This ASU defers the effective date of ASU 2016-13 for public companies that are considered smaller reporting companies as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is planning to adopt this standard in the first quarter of fiscal 2023. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-13 on its Consolidated Financial Statements, particularly its recognition of allowances for accounts receivable.

In December 2019, the FASB issued ASU 2019-12, *"Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"* as part of its initiative to reduce complexity in the accounting standards. The standard eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The standard also clarifies and simplifies other aspects of the accounting for income taxes. The standard is effective for fiscal years, and interim periods within those

fiscal years, beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact that this guidance will have upon its financial position and results of operations, if any.

Results of Operations

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

	Three months ended March 31,	
	2020	2019
Net sales	100.0 %	100.0 %
Cost of sales	87.0	83.9
Gross profit	13.0	16.1
Selling, general and administrative expenses	8.8	12.3
Legal and financial advisory expenses - unsolicited bid and related matters	2.1	—
Acquisition related costs	0.6	—
Income from operations	1.5	3.8
Other income	0.3	0.5
Income before income taxes	1.8	4.3
Income tax provision	0.4	1.1
Net income	1.3 %	3.3 %

Key Operating Metrics

Our management monitors several financial and non-financial measures and ratios on a regular basis in order to track the progress of our business. We believe that the most important of these measures and ratios include net sales, adjusted gross billings, gross profit, adjusted EBITDA, gross profit as a percentage of adjusted gross billings and adjusted EBITDA as a percentage of gross profit. We use a variety of operating and other information to evaluate the operating performance of our business, develop financial forecasts, make strategic decisions, and prepare and approve annual budgets. These key indicators include financial information that is prepared in accordance with US GAAP and presented in our Consolidated Financial Statements as well as non-US GAAP performance measurement tools.

	Three months ended	
	March 31, 2020	March 31, 2019
Net sales	$ 62,618	$ 44,858
Adjusted gross billings (Non-GAAP)	$ 173,099	$ 141,866
Gross profit	$ 8,164	$ 7,234
Gross profit - Lifeboat Distribution	$ 7,162	$ 6,198
Gross profit - TechXtend	$ 1,002	$ 1,036
Adjusted EBITDA (Non-GAAP)	$ 3,121	$ 2,258
Gross margin % - Adjusted gross billings (Non-GAAP)	4.7%	5.1%
Effective margin % - Adjusted EBITDA (Non-GAAP)	38.2%	31.2%

We consider gross profit growth and effective margin to be key metrics in evaluating our business. During the three months ended March 31, 2020, gross profit increased 13%, or $1.0 million, to $8.2 million compared to $7.2 million for the same period in the prior year while effective margin increased 700 basis points to 38.2% compared to 31.2% for the same period in 2019, reflecting the scalability in our business model.

Reconciliations of Non-GAAP Financial Measures

Reconciliation of net sales to adjusted gross billings (Non-GAAP):	**Year ended March 31,**	
	2020	**2019**
Net sales	$ 62,618	$ 44,858
Costs of sales related to Software – security and highly interdependent with support and maintenance, support or other services	110,481	97,008
Adjusted gross billings	$ 173,099	$ 141,866

We define adjusted gross billings as net sales in accordance with US GAAP, adjusted for the cost of sales related to Software – security and highly interdependent with support and maintenance, support and other services. We provided a reconciliation of adjusted gross billings to net sales, which is the most directly comparable US GAAP measure. We use adjusted gross billings of product and services as a supplemental measure of our performance to gain insight into the volume of business generated by our business, and to analyze the changes to our accounts receivable and accounts payable. Our use of adjusted gross billings of product and services as analytical tools has limitations, and you should not consider them in isolation or as substitutes for analysis of our financial results as reported under US GAAP. In addition, other companies, including companies in our industry, might calculate adjusted gross billings of product and services or similarly titled measures differently, which may reduce their usefulness as comparative measures.

Net income reconciled to adjusted EBITDA:	**Three months ended**	
	March 31, 2020	**March 31, 2019**
Net income	$ 836	$ 1,463
Provision for income taxes	279	487
Depreciation and amortization	96	135
Interest expense	17	8
EBITDA	1,228	2,093
Share-based compensation	167	165
Legal and financial advisory expenses - unsolicited bid and related matters	1,323	-
Acquisition related costs	403	-
Adjusted EBITDA	$ 3,121	$ 2,258

We define adjusted EBITDA, as net income, plus provision for income taxes, depreciation, amortization, share-based compensation, interest, legal and financial advisory expenses – unsolicited bid and related matters and acquisition related costs. We define effective margin as adjusted EBITDA as a percentage of gross profit. We provided a reconciliation of adjusted EBITDA to net income, which is the most directly comparable US GAAP measure. We use adjusted EBITDA as a supplemental measure of our performance to gain insight into our businesses profitability when compared to the prior year and our competitors. Adjusted EBITDA is also a component to our financial covenants in our credit facility. Our use of adjusted EBITDA has limitations, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under US GAAP. In addition, other companies, including companies in our industry, might calculate adjusted EBITDA, or similarly titled measures differently, which may reduce their usefulness as comparative measures.

Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019

Net Sales and Adjusted Gross Billings

Net sales for the three months ended March 31, 2020 increased 40%, or $17.7 million, to $62.6 million compared to $44.9 million for the same period in the prior year. Adjusted gross billings for the three months ended March 31, 2020 increased 22%, or $31.2 million, to $173.1 million compared to $141.9 million for the same period in the prior year. Net sales increased at a higher rate than adjusted gross billings due to a higher percentage of sales being derived from software

licenses and hardware, which is recorded on a gross basis, for the three months ended March 31, 2020, when compared to the same period in the prior year.

Lifeboat Distribution segment net sales for the three months ended March 31, 2020 increased $17.2 million, or 43%, to $57.3 million compared to $40.1 million for the same period in the prior year. Adjusted gross billings for the Lifeboat Distribution segment for the three months ended March 31, 2020 increased $31.6 million, or 23%, to $165.9 million compared to $134.3 million for the same period in the prior year. Net sales increased at a higher rate than adjusted gross billings due to a higher percentage of sales being derived from software licenses and hardware, which is recorded on a gross basis, for the three months ended March 31, 2020, when compared to the same period in the prior year. The increase in adjusted gross billings was primarily due to sales from new vendor partners added in 2018 and 2019, as well as increased sales volume from our existing partnerships.

TechXtend segment net sales for the three months ended March 31, 2020 increased $0.5 million, or 11%, to $5.3 million compared to $4.8 million for the same period in the prior year. Sales in our TechXtend segment may vary significantly from quarter to quarter based on the timing of IT spending decisions by our larger customers. Adjusted gross billings for the TechXtend segment for the three months ended March 31, 2020 decreased $0.4 million, or 6%, to $7.2 million compared to $7.6 million for the same period in the prior year.

During the three months ended March 31, 2020, we relied on two key customers for a total of 41% of our net sales, with one of these customers accounting for 27% and the other customer accounting for 14% of our total net sales during the three months ended March 31, 2020. The Company had two major customers that accounted for 26% and 18%, respectively, of its total net sales during the three months ended March 31, 2019. The Company had two major vendors that accounted for 22% and 14%, respectively, of total purchases during the three months ended March 31, 2020 and 28% and 16%, respectively, of total purchases during the three months ended March 31, 2019.

Gross Profit

Gross profit for the three months ended March 31, 2020 increased 13%, or $1.0 million, to $8.2 million compared to $7.2 million for the same period in the prior year. Lifeboat Distribution segment gross profit for the three months ended March 31, 2020 increased 16%, or $1.0 million, to $7.2 million compared to $6.2 million for the same period in the prior year due to the sales growth discussed above. TechXtend segment gross profit for the three months ended March 31, 2020 remained consistent at $1.0 million when compared to the same period in the prior year.

Vendor rebates and discounts for the three months ended March 31, 2020 were $1.0 million compared to $0.7 million for the same period in the prior year. Vendor rebates are dependent on reaching certain targets set by our vendors. The Company monitors vendor rebate levels, competitive pricing, and gross profit margins carefully. We anticipate that price competition in our market will continue in both of our business segments.

Selling, General and Administrative Expenses

SG&A expenses for the three months ended March 31, 2020 remained consistent at $5.5 million with the same period in the prior year. SG&A expenses were 8.8% of net sales for the three months ended March 31, 2020, compared to 12.3% for the same period in the prior year. The decrease as a percentage of net sales is primarily due to growth in net sales without a corresponding increase in SG&A expenses.

The Company expects that its SG&A expenses, as a percentage of net sales, may vary depending on changes in sales volume, as well as the levels of continuing investments in key growth initiatives. We plan to continue to expand our investment in business development, sales and marketing to maximize our market penetration.

Legal and Financial Advisory Expenses – Unsolicited Bid and Related Matters

Legal and financial advisory expenses – unsolicited bid and related matters for the three months ended March 31, 2020 were $1.3 million compared to no expense for the same period in the prior year. These expenses relate to the costs incurred in conjunction with the unsolicited bid and shareholder demand discussed below.

Acquisition Related Costs

Acquisition related costs for the three months ended March 31, 2020 were $0.4 million compared to no expense for the same period in the prior year. These expenses relate to costs incurred in conjunction with the acquisition of Interwork Technologies discussed below.

Income Taxes

For the three months ended March 31, 2020 and 2019, the Company recorded a provision for income taxes of $0.3 million and $0.5 million, respectively. The effective tax rate for the three months ended March 31, 2020 and 2019 was 25.0%, respectively.

Unsolicited Bid and Shareholder Demand

On July 15, 2019, the Company received a letter from SKK and N&W announcing an unsolicited bid to acquire the Company for $14.37 per share (the "July 15 Proposal"), which reflected an approximate 32.8% premium over the Company's adjusted closing stock price on July 12, 2019, one trading day earlier. The July 15 Proposal was subject to a number of contingencies, including the need for SKK and N&W to secure financing to complete a transaction. On August 23, 2019, the Company received another unsolicited offer from SKK and N&W, proposing to acquire the Company for $16.38 per share (the "August 23 Proposal"), which reflected an approximate 18.1% premium over the Company's closing stock price one day earlier, and requesting members of the Board and management to enter into voting and support agreements in connection with the execution of a definitive merger agreement. The August 23 Proposal, similar to the July 15 Proposal, was subject to a number of contingencies, including the need for SKK and N&W to secure financing to complete a transaction.

On November 27, 2019, SKK, N&W, and Messrs. Shepherd, Kaplan, Krochuk and Kidston (collectively, the "SKK 13D Group") entered into a Joint Filing Agreement and filed a Schedule 13D with the SEC, disclosing an aggregate 5.8% ownership stake in the Company. Also on November 27, 2019, Mr. Nynens entered into an agreement with SKK and N&W (the "November 27 Agreement"), granting SKK an irrevocable proxy to vote his shares of Common Stock (i) in favor of any acquisition proposal by SKK, (ii) against any third-party acquisition, and (iii) as directed by SKK with respect to the election of directors nominated by persons other than the Company. The November 27 Agreement also provides that, upon the consummation of the acquisition by an SKK-controlled entity of up to 100% of the outstanding capital stock of the Company, Nynens be appointed as Executive Chairman of the Company at an annual base salary of $250,000 in addition to stock option grants or comparable equity awards representing three percent (3%) of the outstanding equity of the Company, and for a minimum term of three (3) years.

On December 20, 2019, Mr. Nynens delivered a nomination notice to the Company regarding his intent to nominate Kim J. McCauley, Delynn Copley, Dennis M. Crowley, III and Nilesh Shah at the Meeting (the "Nomination Notice").

On December 23, 2019, the SKK 13D Group filed Amendment No. 2 to its Schedule 13D disclosing the Nomination Letter and stating that it sought to engage in discussions with the Company's management and Board about its composition, the Company's financial position and other means of enhancing stockholder value, including the potential sale of the Company. Mr. Nynens filed Amendment No. 3 to his Schedule 13D, disclosing and stating the same.

On January 22, 2020, the Company received a letter from one of its stockholders demanding that the Board investigate and bring an action against Mr. Nynens for breaches of certain restrictive covenants contained in his Separation and Release Agreement, dated May 11, 2018 (the "Nynens Separation Agreement"), including his covenant not to seek future employment with the Company (the "Shareholder Derivative Demand").

On February 11, 2020, after considering the proposals with its financial advisers, the Board responded to SKK and N&W that the expired proposal received on December 10, 2019 would not have been in the best interests of the Company's stockholders because it undervalues the Company, and did not serve as a basis for further diligence or discussion.

On February 14, 2020, after conducting an investigation, and in response to the Shareholder Derivative Demand, the Company filed a lawsuit (the "Lawsuit") against Mr. Nynens, SKK, and N&W in the Superior Court of New Jersey Monmouth County, asserting claims against Mr. Nynens for alleged breaches of the Nynens Separation Agreement, including for violating his covenant not to seek future employment with the Company, and claims for tortious interference against SKK

and N&W for inducing Mr. Nynens to commit these breaches. In connection with its claims, the Company sought monetary damages, injunctive relief and a declaratory judgment.

On April 16, 2020 (the "Effective Date"), the Company entered into a Settlement Agreement (the "Agreement") with Mr. Nynens, SKK, N&W, and each of Dennis Crowley, David Shepherd, David Kaplan, Timothy Krochuk and Samuel Kidston (collectively with SKK and N&W, the "SKK Parties"). Pursuant to the Agreement, the Company agreed to voluntarily dismiss the Lawsuit with prejudice, and it did so on April 21, 2020. The Company also agreed to purchase all of Mr. Nynens' 261,631 shares of the Company's common stock, par value $0.01 per share ("Common Stock") owned, of record or beneficially, as of the Effective Date, at a price set by calculating the volume-weighted average price of such shares trading on the NASDAQ Global Market for the ten trading days ending on the close of the trading day immediately preceding the Effective Date, and with each party paying for its own fees and expenses. As of the Effective Date, Mr. Nynens and the SKK Parties agreed to terminate November 27 Agreement and did so on April 16, 2020. Further, the SKK Parties agreed to terminate the Joint Filing Agreement, dated November 27, 2019, by and between Mr. Nynens and the SKK Parties, and did so on April 16, 2020. Additionally, as of the Effective Date, Mr. Nynens agreed to withdraw the notice of intent to nominate director candidates for election at the 2020 annual meeting of stockholders of the Company, submitted by Mr. Nynens on December 20, 2019, and to cease all solicitation of proxies and other activities in connection with such annual meeting, and Mr. Nynens did so on April 16, 2020.

On April 23, 2020, the Company completed the purchase of 261,631 shares of common stock, representing approximately 5.8% of the issued and outstanding common stock of the Company, for a purchase price of $3.5 million in accordance with the Settlement Agreement.

Acquisition of Interwork Technologies

On April 20, 2020, CLIMB Channel Solutions (Canada) Inc. ("Buyer"), a newly-formed indirect subsidiary of the Company, entered into a Stock Purchase Agreement (the "SPA") with Interwork Group, Inc. ("Seller"), Interwork Technologies Inc., a Delaware corporation ("Interwork US"), Interwork Technologies Inc., a corporation incorporated under the laws of the Province of Ontario, Canada ("Interwork Canada"), and Firepower Equity Inc. On April 30, 2020, Buyer completed the acquisition of Interwork US and Interwork Canada.

Pursuant to the SPA, Buyer acquired Interwork US and Interwork Canada for an aggregate purchase price of $5 million Canadian dollar paid at closing plus a potential post-closing $1.1 million Canadian dollar earn-out.

The SPA contains customary representations, warranties and covenants. The SPA also contains indemnification obligations of both Buyer and Seller, subject to certain limitations, and covenants regarding the conduct of each party prior to closing.

Liquidity and Capital Resources

Our cash and cash equivalents decreased to $11.6 million as of March 31, 2020 compared to $15.0 million as of December 31, 2019. The decrease in cash and cash equivalents was primarily the result of $2.4 million of cash and cash equivalents used in operating activities and $0.8 million of cash used for dividends.

Net cash and cash equivalents used in operating activities for the three months ended March 31, 2020 was $2.4 million, comprised primarily of net income adjusted for non-cash items of $1.3 million, offset by changes in operating assets and liabilities of $3.7 million. Net cash and cash equivalents used in changes in working capital were the result the timing of vendor payments and customer payments. During the first quarter of 2020, we extended payment terms on a $3.4 million receivable from one of our customers who was impacted by COVID-19, contributing to the change in working capital. We are receiving weekly payments on the account and expect to be paid in full during the second quarter of 2020. During the second quarter of 2020, we expect to implement a change in the payment terms with one of our large customers. The impact of this change in payment terms is expected to result in a reduction of our accounts receivable and corresponding increase in cash of approximately $25 million during the second quarter of 2020. This change in terms will also have the impact of reducing our net sales and gross profit by approximately $0.4 million per quarter, however, we believe the additional liquidity will improve our return on invested capital and provide us greater flexibility in pursuing our strategic objectives.

On April 22, 20020 the Company purchased 261,631 shares of its outstanding common stock at $13.19 per share, representing approximately 5.8% of its issued and outstanding shares for $3.5 million in accordance with the Settlement Agreement.

On April 20, 2020, the Company entered into the SPA to purchase Interwork US and Interwork Canada for an aggregate purchase price of $5 million Canadian dollar payable at closing (subject to adjustment) plus a potential post-closing $1.1 million Canadian dollar earn-out (the "Interwork Acquisition"). The Company financed the acquisition from existing capital resources. On April 30, 2020, the Company completed the acquisition of Interwork US and Interwork Canada.

Net cash and cash equivalents used in investing activities during the three months ended March 31, 2020 was minimal.

Net cash and cash equivalents used in financing activities during the three months ended March 31, 2020 was $0.8 million, primarily comprised of dividend payments on our Common Stock.

On November 15, 2017, the Company entered into a $20,000,000 revolving credit facility (the "Credit Facility") with Citibank, N.A. ("Citibank") pursuant to a Second Amended and Restated Revolving Credit Loan Agreement (the "Loan Agreement"), Second Amended and Restated Revolving Credit Loan Note (the "Note"), Second Amended and Restated Security Agreement (the "Security Agreement") and Second Amended and Restated Pledge and Security Agreement (the "Pledge Agreement"). The Credit Facility, which will be used for working capital and general corporate purposes, matures on August 31, 2020, at which time the Company must pay all outstanding principal of all outstanding loans plus all accrued and unpaid interest, and any interest, fees, costs and expenses, if any. As of March 31, 2020, no borrowings were outstanding under the Credit Facility.

We anticipate that our working capital needs will increase as we invest in the growth of our business. We believe that the funds held in cash and cash equivalents and our unused borrowings under our Credit Facility will be sufficient to fund our working capital and cash requirements for at least the next 12 months.

Contractual Obligations as of March 31, 2020

Smaller reporting companies are not required to provide the information required by this item.

Foreign Exchange

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

Off-Balance Sheet Arrangements

As of March 31, 2020, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Smaller reporting companies are not required to provide the information required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As required by Rule 13a-15(b) under the Exchange Act, our management carried out an evaluation of the effectiveness of the design and operation of the Company's "disclosure controls and procedures", as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of various members of our management, including our Company's Chief Executive Officer (principal executive officer) and Vice President and Chief Financial Officer (principal financial and accounting officer). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, as of the end of the period covered by this report, to ensure that information required to be disclosed by the

Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act, that occurred during the three months ended March 31, 2020, 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

By letter dated January 22, 2020, a shareholder of the Company demanded that the Board of Directors investigate and bring an action against the Company's former Chairman, President and Chief Executive Officer, Simon Nynens, for his breaches of certain restrictive covenants contained in the separation agreement he entered into with the Company on or about May 11, 2018. Following receipt of the shareholder demand, the Company filed a lawsuit against Mr. Nynens, Shepherd Kaplan Krochuk, LLC ("SKK"), and North & Webster SSG, LLC ("N&W," and together with SKK, the "N&W Group") on February 14, 2020, in the Superior Court of New Jersey Monmouth County. The Company's complaint asserts claims against Mr. Nynens for his breaches of his separation agreement with the Company and claims for tortious interference against the N&W Group for inducing Mr. Nynens to commit those breaches. In connection with its claims, the Company was seeking monetary damages, injunctive relief, and a declaratory judgment against Mr. Nynens and the N&W Group.

Previously, the Company had received unsolicited acquisition proposals from the N&W Group to acquire all of the outstanding shares of common stock of the Company. The Company received the most recent unsolicited acquisition proposal from the N&W Group on December 10, 2019, and that proposal expired on its own terms on December 16, 2019. Prior to that, Mr. Nynens entered into an agreement with the N&W Group on November 27, 2019, granting SKK an irrevocable proxy to vote his shares of our common stock in favor of any acquisition proposal by SKK, against any third-party acquisition, and as directed by SKK with respect to the election of directors nominated by persons other than the Company. On December 20, 2019, Mr. Nynens nominated four individuals for election to our Board of Directors at the 2020 annual meeting of stockholders.

On April 16, 2020 (the "Effective Date"), the Company entered into a Settlement Agreement (the "Settlement Agreement") with Mr. Nynens and the N&W Group. Pursuant to the Settlement Agreement, the Company has agreed to voluntarily dismiss its complaint with prejudice against Nynens, SKK, and N&W filed in the Superior Court of New Jersey Monmouth County on or about February 14, 2020. The Company has also agreed to purchase all of Nynens' 261,631 shares of the Company's common stock, par value $0.01 per share ("Common Stock") owned, of record or beneficially, as of the Effective Date, at a price set by calculating the volume-weighted average price of such shares trading on the NASDAQ Global Market for the ten trading days ending on the close of the trading day immediately preceding the Effective Date, and with each party paying for its own fees and expenses. As of the Effective Date, Nynens and the SKK Parties have agreed to terminate that certain agreement among Nynens, SKK and N&W, dated November 27, 2019, pursuant to which the parties thereto agreed to form an investment vehicle in order to acquire up to 100% of the outstanding capital stock of the Company. Further, the SKK Parties have agreed to terminate the Joint Filing Agreement, dated November 27, 2019, by and between Nynens and the SKK Parties. Additionally, as of the Effective Date, Nynens agreed to withdraw the notice of intent to nominate director candidates for election at the 2020 annual meeting of stockholders of the Company, submitted by Nynens on December 20, 2019, and to cease all solicitation of proxies and other activities in connection with such annual meeting.

On April 23, 2020, the Company completed the purchase of 261,631 shares of common stock at $13.19 per share pursuant to the Settlement Agreement, representing approximately 5.8% of the issued and outstanding common stock of the Company, for a purchase price of $3.5 million.

The ultimate outcome of these matters and related costs cannot be determined at this time, and accordingly no provision has been recorded for estimated expenses to resolve the matter.

Item 1A. – Risk Factors

Except as set forth below, during the quarter ended March 31, 2020, there were no material changes to the Risk Factors disclosed in Item 1A - "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

The current COVID-19 pandemic and other public health threats or outbreaks of communicable diseases could have a material adverse effect on the Company's operations and financial results.

The Company may face risks related to public health threats or outbreaks of communicable diseases. A widespread healthcare crisis, such as an outbreak of a communicable disease could adversely affect the global economy and the Company's and its business partners' ability to conduct business for an indefinite period of time. For example, the ongoing global the novel coronavirus, COVID-19, pandemic, has negatively impacted global economy, disrupted financial markets and international trade, resulted in increased unemployment levels and significantly impacted global supply chains. In addition, federal, state, and local governments have implemented various mitigation measures, including travel restrictions, border closings, restrictions on public gatherings, shelter-in-place restrictions and limitations on business. Some of these actions have adversely impacted the ability of the Company's customers, vendors and other business partners to conduct business activities, and could ultimately do so for an indefinite period of time. This could have a material adverse effect on the Company's results of operations, financial condition, and liquidity. In particular, the continued spread of COVID-19 and efforts to contain the virus could:

- impact customer demand of the Company's portfolio of technology offerings;
- cause the Company to experience an increase in delayed payments from customers and uncollectable accounts;
- cause delays and disruptions in the supply chain resulting in disruptions in the fulfillment of orders;
- impact availability of qualified personnel, including workforce disruptions due to illness, quarantines, governmental actions, other restrictions, and/or the social distancing measures taken to mitigate the impact of COVID-19; and
- cause other unpredictable events.

The situation surrounding COVID-19 remains fluid and the potential for a material impact on the Company's results of operations, financial condition, and liquidity increases the longer the virus impacts activity levels in the United States and globally. For this reason, the Company cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on the Company's results of operations, financial position, and liquidity. The extent to which the COVID-19 pandemic may impact the Company's business, operating results, financial condition, or liquidity will depend on future developments, including the duration of the outbreak, travel restrictions, business and workforce disruptions, and the effectiveness of actions taken to contain and treat the disease.

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

The table below sets forth the repurchase of Common Stock by the Company and its affiliated purchasers during the first quarter of 2020.

ISSUER PURCHASE OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid Per Share	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (3)
January 1, 2020 - January 31, 2020	—	$ —	—	$ —	547,488
February 1, 2020 - February 29, 2020	2,059 (1)	$ 15.66	—	$ —	547,488
March 1, 2020 - March 31, 2020	—	$ —	—	$ —	547,488
Total	2,059	$ 15.66	—	$ —	547,488

(1) Includes 2,059 shares surrendered to the Company by employees to satisfy individual tax withholding obligations upon vesting of previously issued shares of Restricted Stock. These shares are not included in the Common Stock repurchase program referred to in footnote (3) below.

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

(3) On December 3, 2014, the Board of Directors of the Company approved an increase of 500,000 shares of Common Stock to the number of shares of Common Stock available for repurchase under its repurchase plans. On February 2, 2017, the Board of Directors of the Company approved an increase of 500,000 shares of Common Stock to the number of shares of Common Stock available for repurchase under its repurchase plans. The Company expects to purchase shares of its Common Stock from time to time in the market or otherwise subject to market conditions. The Common Stock repurchase program does not have an expiration date.

Item 6. Exhibits

(a) Exhibits

2.1* Stock Purchase Agreement, dated April 20, 2020, by and among CLIMB Channel Solutions (Canada) Inc., Interwork Group, Inc., Interwork Technologies Inc. (US), Interwork Technologies Inc. (CA), and Firepower Equity Inc.(1)

10.1 Settlement Agreement, dated April 16, 2020, by and among Wayside Technology Group, Inc., Simon F. Nijnens, Shepherd Kaplan Krochuk, LLC, North & Webster SSG, LLC, Dennis Crowley, David Shepherd, David Kaplan, Timothy Krochuk, and Samuel Kidston.(2)

10.2 Employment Agreement dated September 26, 2016 between the Company and Michael Vesey.

10.3 Employment Agreement dated January 2, 2018 between the Company and Charles Bass.

31.1 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Dale Foster, 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 Michael Vesey, the Vice President and Chief Financial Officer (principal financial and accounting 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 Dale Foster, 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 Michael Vesey, the Vice President and Chief Financial Officer (principal financial and accounting officer) of the Company.
101	The following financial information from Wayside Technology Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, filed with the SEC on May 8, 2020, formatted in XBRL (Extensible Business Reporting Language) includes: (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Income, (3) Condensed Consolidated Statements of Stockholders' Equity, (4) Condensed Consolidated Statements of Comprehensive Income, (5) Condensed Consolidated Statements of Cash Flows, and (6) the Notes to the Unaudited Condensed Consolidated Financial Statements.

* Schedules and certain exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

(1) Incorporated by reference from the Company's Current Report on Form 8-K filed with the SEC on April 22, 2020.

(2) Incorporated by reference from the Company's Current Report on Form 8-K filed with the SEC on April 17, 2020.

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

May 8, 2020	By: /s/ Dale Foster
Date	Dale Foster, Chief Executive Officer (Principal Executive Officer)
May 8, 2020	By: /s/ Michael Vesey
Date	Michael Vesey, Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 10.2

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into as of September 26, 2016 (the "Effective Date") by and between Wayside Technology Group, Inc., a Delaware corporation (the "Company" or "Wayside"), and Michael Vesey (the "Executive").

WITNESSETH:

WHEREAS, the Company desires the employment of the Executive in accordance with the provisions of this Agreement; and

WHEREAS, the Executive desires and is willing to be employed by the Company in accordance with the provisions of this Agreement.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, and intending to be legally bound, the parties agree as follows:

1. Position and Term. On the terms and subject to the conditions set forth in this Agreement, the Company shall employ the Executive and the Executive shall serve the Company as "Vice President and Chief Financial Officer". Mr. Vesey employment with the Company is "at will" and may be terminated by the Company or Mr. Vesey at any time, for any reason, with or without notice.

2. Duties. The Executive's duties shall be prescribed from time to time by the Board of Directors of the Company (the "Board") and shall include such responsibilities as are customary for employees performing functions similar to those of the Executive. In addition, the Executive shall serve at no additional compensation in such executive capacity or capacities with respect to any subsidiary or affiliate of the Company to which he may be elected or appointed, provided that such duties are not inconsistent with those of a Vice President and Chief Financial Officer. The Executive shall devote substantially all of the Executive's time and attention to the performance of the Executive's duties and responsibilities for and on behalf of the Company except as set forth herein or as may be consented to by the Company. Notwithstanding anything to the contrary herein, nothing in this Agreement shall preclude the Executive from: (i) serving as a member of the board of directors or advisory board (or their equivalents in the case of a non-corporate entity) of any (A) charitable or philanthropic organization; or (B) entity, including a business entity; (ii) engaging in charitable, community or philanthropic activities or any other activities or (iii) serving as an executor, trustee or in a similar fiduciary capacity; provided, that the activities set out in the foregoing clauses shall be limited by the Executive so as not to affect, individually or in the aggregate, or interfere with the performance of the Executive's duties and responsibilities hereunder, without the consent of the Company.

3. Compensation. The Executive shall receive, for all services rendered to the Company pursuant to this Agreement, the following:

a. Base Salary. The Employee shall be paid a base salary at the rate of one hundred and seventy five thousand dollars ($175,000) per annum (the "Base Salary"). The Base

Salary shall be payable in accordance with the Company's then current general salary payment policies. The Base Salary may be changed (but not decreased without the Employee's consent) from time to time by a majority of the Board. Executive has requested a review of base salary in February 2017, subject to a positive three month performance review.

b. Equity Compensation. After a positive three month performance review based on operational improvement of our finance department, the Executive shall receive a restricted stock grant of 10,000 shares of common stock under the Company's stock based compensation plan (the "2012 Plan"). The restricted stock grant shall vest in 20 equal quarterly installments. The Employee shall also receive a yearly bonus plan. If the Company shall establish any other incentive compensation plan or bonus plan, the Executive shall be eligible for awards under such plans in the sole discretion of the Board on the terms and subject to the conditions imposed by the Board. For the remainder of 2016, executive will be entitled to a maximum discretionary bonus of $12,500.

c. Benefits. The Executive and his "dependents," as that term may be defined under the applicable benefit plan(s) of the Company, shall be included, to the extent eligible there under, in any and all standard benefit plans, programs and policies of the Company, which may include health care insurance (medical, dental and vision), long-term disability plans, life insurance, supplemental disability insurance, supplemental life insurance and a 401(k) plan (the "Benefits Plans"). The Executive acknowledges and agrees that the Benefits Plans may from time to time be modified by the Company as it deems necessary and appropriate.

d. Deductions. The Company shall deduct and withhold from the Executive's compensation all necessary or required taxes, including, but not limited to, social security, self employment, withholding and otherwise, and any other amounts required by law or any taxing authority.

4. Expenses. , the Company shall reimburse the Executive for all reasonable out-of-pocket expenses incurred by the Executive in connection with the performance of the Executive's duties and responsibilities hereunder, upon presentment of a valid receipt or other usual and customary documents evidencing such expenses. The Company will reimburse properly substantiated and timely submitted expenses no later than 30 days after the date the appropriate documentation is submitted by the Executive.

5. Absences. The Executive shall be entitled to four (4) weeks paid vacation time per annum and such other time off in accordance with the Company's current procedures and policies, as the same may be amended from time to time.

6. Termination.

a. For Cause. The Company may terminate the Executive's employment at any time for Cause; provided that prior to a termination for Cause the Company shall provide the Executive with written notice of any such alleged breach and the Executive shall have fourteen (14) days from the delivery of such notification to remedy the breach. "Cause" means (i) an act of personal dishonesty in connection with the Executive's responsibilities as an employee of the

Company that is intended to result in a substantial personal enrichment of the Executive; (ii) a plea of guilty or nolo contendere to, or conviction of, a felony which the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business; (iii) a breach of any fiduciary duty owed to the Company that has a material detrimental effect on the Company's reputation or business (except in the case of a personal disability); or (iv) willful violations of the Executive's obligations to the Company.

b. Death. This Agreement will terminate automatically upon the death of the Executive.

c. Disability. The Company may terminate the Executive's employment if the Executive suffers from a physical or mental disability. The Executive will only be deemed to have a physical or mental disability if the Executive is unable to perform the essential functions of his position, with reasonable accommodation, for a period of at least one hundred twenty (120) consecutive days because of a physical or mental impairment.

d. Good Reason. The Executive shall be able to terminate this Agreement at any time for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, with respect to the Executive, in each case to the extent not consented by the Executive, (i) a material violation of this Agreement or any other agreement between the Executive and the Company, by the Company or (ii) any assignment of duties to the Executive that would require an unreasonable amount of the Executive's work time and that are duties which customarily would be discharged by persons junior or subordinate in status to the Executive within the Company; provided that the Executive shall not have Good Reason unless the Executive shall have provided the Company written notice describing such violation in sufficiently reasonable detail for the Company to understand the breach alleged to have occurred, and the Company shall fail to cure such alleged breach within thirty (30) days after the Executive has provided the Company the required notice.

e. Compensation in the Event of Termination. In the event that the Executive's employment pursuant to this Agreement terminates for any reason or no reason, the Company shall pay to the Executive within thirty (30) days of such termination: (i) accrued and unpaid Base Salary in accordance with Section 3(a) plus accrued and unpaid amounts for any unused vacation days which have accrued (but not including any unused personal or sick days) and (ii) any unreimbursed expenses payable in accordance with Section 4. If (i) the Executive terminates his employment for Good Reason, (ii) the Executive's employment terminates due to his death or (iii) the Company terminates the Executive's employment without Cause or due to a permanent disability of the Executive (subclauses (i), (ii) and (iii) are hereinafter referred to as a "Termination Event") Mr. Vesey will be entitled to receive a severance payment equal to six months of his base salary in effect at the time of termination. In the event of the consummation of a change of control transaction, outstanding unvested equity awards will become immediately vested and Mr. Vesey will be entitled to receive a lump-sum payment equal to 1 (one) time his then current annual salary and incentive bonus, if any, earned in the year prior to such change in control transaction.

7. Assignment of Intellectual Property Rights. In consideration of his employment, the Executive agrees to be bound by this Section 7.

a. General. The Executive agrees to assign, and hereby assigns, to the Company all of his rights in any Inventions (as hereinafter defined) (including all Intellectual Property Rights (as hereinafter defined) therein or related thereto) that were previously or are made, conceived or reduced to practice, in whole or in part and whether alone or with others, by him during his employment by, or service with, the Company or which arise out of any activity conducted by, for or under the direction of the Company (whether or not conducted at the Company's facilities, working hours or using any of the Company's assets), or which are useful with, or relate directly or indirectly to, any Company Interest (as defined below). The Executive will promptly and fully disclose and provide all of the Inventions described above (the "Assigned Inventions") to the Company.

b. Assurances. The Executive hereby agrees, during the duration of his employment by the Company and thereafter, to further assist the Company, at the Company's expense, to evidence, record and perfect the Company's rights in and ownership of the Assigned Inventions, to perfect, obtain, maintain, enforce and defend any rights specified to be so owned or assigned and to provide and execute all documentation necessary to effect the foregoing.

c. Other Inventions. The Executive agrees to not incorporate, or permit to be incorporated, any Invention conceived, created, developed or reduced to practice by him (alone or with others) prior to or independently of his employment by the Company (collectively, "Prior Inventions" attached hereto as Exhibit C) in any work he performs for the Company, without the Company's prior written consent. If (i) he uses or discloses any Prior Inventions when acting within the scope of his employment (or otherwise on behalf of the Company), or (ii) any Assigned Invention cannot be fully made, used, reproduced or otherwise exploited without using or violating any Prior Inventions, the Executive hereby grants and agrees to grant to the Company a perpetual, irrevocable, worldwide, royalty-free, non-exclusive, sublicenseable right and license to reproduce, make derivative works of, distribute, publicly perform, publicly display, make, have made, use, sell, import, offer for sale, and otherwise exploit and exercise all such Prior Inventions and Intellectual Property Rights therein.

d. Definitions. "Company Interest" means any business of the Company or any product, service, Invention or Intellectual Property Right that is used or under consideration or development by the Company. "Intellectual Property Rights" means any and all intellectual property rights and other similar proprietary rights in any jurisdiction, whether registered or unregistered, and whether owned or held for use under license with any third party, including all rights and interests pertaining to or deriving from: (a) patents and patent applications, reexaminations, extensions and counterparts claiming property therefrom; inventions, invention disclosures, discoveries and improvements, whether or not patentable; (b) computer software and firmware, including data files, source code, object code and software-related specifications and documentation; (c) works of authorship, whether or not copyrightable; (d) trade secrets (including those trade secrets defined in the Uniform Trade Secrets Act and under corresponding statutory law and common law), business, technical and know-how information, non-public information, and confidential information and rights to limit the use of disclosure thereof by any

person; (e) trademarks, trade names, service marks, certification marks, service names, brands, trade dress and logos and the goodwill associated therewith; (f) proprietary databases and data compilations and all documentation relating to the foregoing, including manuals, memoranda and record; (g) domain names; and (h) licenses of any of the foregoing; including in each case any registrations of, applications to register, and renewals and extensions of, any of the foregoing with or by any governmental authority in any jurisdiction. "Invention" means any products, process, ideas, improvements, discoveries, inventions, designs, algorithms, financial models, writings, works of authorship, content, graphics, data, software, specifications, instructions, text, images, photographs, illustration, audio clips, trade secrets and other works, material and information, tangible or intangible, whether or not it may be patented, copyrighted or otherwise protected (including all versions, modifications, enhancements and derivative work thereof).

8. Restrictive Covenants. The Executive acknowledges and agrees that he has and will have access to secret and confidential information of the Company and its subsidiaries ("Confidential Information") and that the following restrictive covenants are necessary to protect the interests and continued success of the Company. As used in this Agreement, Confidential Information includes, without limitation, all information of a technical or commercial nature (such as research and development information, patents, trademarks and copyrights and applications thereto, formulas, codes, computer programs, software, methodologies, processes, innovations, software tools, know-how, knowledge, designs, drawings specifications, concepts, data, reports, techniques, documentation, pricing information, marketing plans, customer and prospect lists, trade secrets, financial information, salaries, business affairs, suppliers, profits, markets, sales strategies, forecasts and personnel information), whether written or oral, relating to the business and affairs of the Company, its customers and/or other business associates which has not been made available to the general public.

a. Confidentiality. The Executive shall not disclose any Confidential Information to any person or entity at any time during or after the termination of this Agreement or the Executive's employment.

b. Non-Compete. In consideration of the employment hereunder, the Executive agrees that during his employment and for a period of one (1) years thereafter, the Executive will not (and will cause any entity controlled by the Executive not to), directly or indirectly, whether or not for compensation and whether or not as an employee, be engaged in or have any financial interest in any business competing with or which may compete with the business of the Company (or with the business of any affiliate of the Company conducting substantially similar activities) (such affiliates together with the Company, collectively, "Wayside") within any state, country, region or locality in which Wayside is then doing business or marketing its products or solicit, advise, provide or sell any services or products of the same or similar nature to services or products of Wayside to any person or entity. For purposes of this Agreement, the Executive will be deemed to be engaged in or to have a financial interest in such competitive business if he is an officer, director, shareholder, joint venturer, agent, salesperson, consultant, investor, advisor, principal or partner, of any person, partnership, corporation, trust or other entity which is engaged in such a competitive business, or if he directly or indirectly performs services for such an entity or if a member of Executive's immediate family beneficially owns an equity interest, or interest convertible into equity, in any such entity; provided, however, that the

foregoing will not prohibit the Executive or a member of her immediate family from owning, for the purpose of passive investment, less than 5% of any class of securities of a publicly held corporation.

c. Non-Solicitation/Non-Interference. The Executive agrees that during his employment and for an additional one (1) years after the termination thereof, the Executive shall not (and shall cause any entity controlled by the Executive not to), directly or indirectly, acting as an employee, owner, shareholder, partner, joint venturer, officer, director, agent, salesperson, consultant, advisor, investor or principal of any corporation, trust or other entity: (i) solicit, request or otherwise attempt to induce or influence, directly or indirectly, any present client, distributor, licensor or supplier, or prospective client, distributor, licensor or supplier, of Wayside, or other persons sharing a business relationship with Wayside, to cancel, limit or postpone their business with Wayside, or otherwise take action which might cause a financial disadvantage of Wayside; or (ii) hire or solicit for employment, directly or indirectly, or induce or actively attempt to influence, any employee, officer, director, agent, contractor or other business associate of Wayside, including any of its Affiliates, as such term is defined in the Securities Act of 1933, as amended, to terminate his or her employment or discontinue such person's consultant, contractor or other business association with Wayside or its Affiliates. For purposes of this Agreement the term prospective client shall mean any person, group of associated persons or entity whose business Wayside has solicited at any time prior to the termination of his employment.

d. The Parties agree that they will not in any way disparage each other, including current or former officers, directors and employees, nor will they make or solicit any comments, statements or the like to the media or to others that may be considered to be disparaging, derogatory or detrimental to the good name or business reputation of the other.

e. If the Board, in its reasonable discretion, determines that the Executive violated any of the restrictive covenants contained in this Section 8, the applicable restrictive period shall be increased by the period of time from the commencement of any such violation until the time such violation shall be cured by the Executive to the satisfaction of the Company.

f. In the event that either any scope or restrictive period set forth in this Section 8 is deemed to be unreasonably restrictive or unenforceable in any court proceeding, the scope and/or restrictive period shall be reduced to equal the maximum scope and/or restrictive period allowable under the circumstances.

g. The Executive acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Section 8 by the Executive, the Company may suffer irreparable harm and, therefore, the Company shall be entitled to obtain immediate injunctive relief restraining the Executive from such breach or threatened breach of the restrictive covenants contained in this Section 8. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of damages from the Executive. The Company acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Section 8 by the Company, the Executive may suffer irreparable reputation harm and, therefore, the Executive

shall be entitled to obtain immediate injunctive relief restraining the Company from such breach or threatened breach of the restrictive covenants contained in this Section 8. Nothing herein shall be construed as prohibiting the Executive from pursuing any other remedies available to him for such breach or threatened breach, including the recovery of damages from the Company.

9. Attorneys' Fees. If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of any provision of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled pursuant to the underlying action.

10. No Conflicts. The Executive represents and warrants to the Company that the execution, delivery and performance by the Executive of this Agreement do not conflict with or result in a violation or breach of, or constitute (with or without the giving of notice or the lapse of time or both) a default under any contract, agreement or understanding, whether oral or written, to which the Executive is a party or by which the Executive is bound and that there are no restrictions, covenants, agreements or limitations on the Executive's right or ability to enter into and perform the terms of this Agreement, and the Executive agrees to indemnify and save the Company harmless from any liability, cost or expense, including attorney's fees, based upon or arising out of any breach of this Section 10.

11. Waiver. The waiver by either party of any breach by the other party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by such party. No person acting other than pursuant to a resolution of the Company shall have authority on behalf of the Company to agree to amend, modify, repeal, waive or extend any provision of this Agreement.

12. Assignment. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. This Agreement shall inure to the benefit of and be enforceable by the Executive or his legal representatives, executors, administrators and heirs. The Executive may not assign any of the Executive's duties, responsibilities, obligations or positions hereunder to any person and any such purported assignment by the Executive shall be void and of no force and effect.

13. Notices. All notices, requests, demands and other communications which are required or may be given pursuant to this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; upon confirmation of transmission if sent by telecopy, electronic or digital transmission; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (e.g., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to:

If to Executive, addressed to:

Michael Vesey
264 Crabtree Court
Basking Ridge, NJ 07920

If to the Company, addressed to:

Wayside Technology Group, Inc.
4 Industrial Way W.
Eatontown, New Jersey 07724

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

14. Construction of Agreement.

a. Governing Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the internal laws of Delaware without reference to its principles regarding conflicts of law.

b. Severability. In the event that any one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

c. Headings. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience of reference only and shall not constitute a part of this Agreement.

d. Entire Agreement. This Agreement and the agreements and documents referenced herein and attached as Exhibits A, B and C contain the entire agreement of the parties concerning the Executive's employment and all promises, representations, understandings, arrangements and prior agreements on such subject are merged herein and superseded hereby.

[Signatures appear on next page]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has set his hand, all as of the day and year first above written.

WAYSIDE TECHNOLOGY GROUP, INC.

By: /s/ Simon Nynens
Name: Simon Nynens
Its: Chief Executive Officer

EXECUTIVE

/s/ Michael Vesey
Michael Vesey

Exhibit C

Prior Inventions: none

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into as of January 2, 2018 (the "Effective Date") by and between Wayside Technology Group, Inc., a Delaware corporation (the "Company" or "Wayside"), and Charles Bass (the "Executive").

WITNESSETH:

WHEREAS, the Company desires the employment of the Executive in accordance with the provisions of this Agreement; and

WHEREAS, the Executive desires and is willing to be employed by the Company in accordance with the provisions of this Agreement.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, and intending to be legally bound, the parties agree as follows:

1. Position and Term. On the terms and subject to the conditions set forth in this Agreement, the Company shall employ the Executive and the Executive shall serve the Company as "Vice President New Business Development".

2. Duties. The Executive's duties shall be prescribed from time to time by the CEO and Board of Directors of the Company (the "Board") and shall include such responsibilities as are customary for employees performing functions similar to those of the Executive. In addition, the Executive shall serve at no additional compensation in such executive capacity or capacities with respect to any subsidiary or affiliate of the Company to which he may be elected or appointed, provided that such duties are not inconsistent with those of a Vice President. The Executive shall devote substantially all of the Executive's time and attention to the performance of the Executive's duties and responsibilities for and on behalf of the Company except as set forth herein or as may be consented to by the Company. Notwithstanding anything to the contrary herein, nothing in this Agreement shall preclude the Executive from: (i) serving as a member of the board of directors or advisory board (or their equivalents in the case of a non-corporate entity) of any (A) charitable or philanthropic organization; or (B) entity, including a business entity; (ii) engaging in charitable, community or philanthropic activities or any other activities or (iii) serving as an executor, trustee or in a similar fiduciary capacity; provided, that the activities set out in the foregoing clauses shall be limited by the Executive so as not to affect, individually or in the aggregate, or interfere with the performance of the Executive's duties and responsibilities hereunder, without the consent of the Company.

3. Compensation. The Executive shall receive, for all services rendered to the Company pursuant to this Agreement, the following:

a. Base Salary. The Employee shall be paid a base salary at the rate of Two Hundred Fifty thousand dollars ($250,000) per annum (the "Base Salary"). The Base Salary shall be payable in accordance with the Company's then current general salary payment policies. The

Base Salary may be changed (but not decreased without the Employee's consent) from time to time by a majority of the Board.

b. Equity Compensation. After a positive three-month performance review as determined in good faith by the by the CEO and the Board, the Executive shall receive a restricted stock grant of 10,000 shares of common stock (the "Stock Award") under the Company's stock based compensation plan (the "2012 Plan"). The restricted stock grant shall vest in 16 equal quarterly installments. The Employee shall also receive a yearly bonus plan. If the Company shall establish any other incentive compensation plan or bonus plan, the Executive shall be eligible for awards under such plans in the sole discretion of the Board on the terms and subject to the conditions imposed by the Board. The unvested portion of the Stock Award shall be forfeited upon a termination of the Executive's employment under Section 6(a) or by the Executive under Section 6(e). The unvested portion of the Stock Award shall automatically vest in full upon a termination of the Executive's employment under Section 6(b), 6(c) or 6(d) or by the Company under Section 6(e).

c. Benefits. The Executive and his "dependents," as that term may be defined under the applicable benefit plan(s) of the Company, shall be included, to the extent eligible there under, in any and all standard benefit plans, programs and policies of the Company, which may include health care insurance (medical, dental and vision), long-term disability plans, life insurance, supplemental disability insurance, supplemental life insurance and a 401(k) plan (the "Benefits Plans"). The Executive acknowledges and agrees that the Benefits Plans may from time to time be modified by the Company as it deems necessary and appropriate.

d. Deductions. The Company shall deduct and withhold from the Executive's compensation all necessary or required taxes, including, but not limited to, social security, self- employment, withholding and otherwise, and any other amounts required by law or any taxing authority.

4. Expenses. The Company shall reimburse the Executive for all reasonable out-of-pocket expenses incurred by the Executive in connection with the performance of the Executive's duties and responsibilities hereunder, upon presentment of a valid receipt or other usual and customary documents evidencing such expenses. The Company will reimburse properly substantiated and timely submitted expenses no later than 30 days after the date the appropriate documentation is submitted by the Executive.

5. Absences. The Executive shall be entitled to four (4) weeks paid vacation time per annum and such other time off in accordance with the Company's current procedures and policies, as the same may be amended from time to time.

6. Termination.

a. For Cause. The Company may terminate the Executive's employment at any time for Cause; provided that prior to a termination for Cause the Company shall provide the Executive with written notice of any such alleged breach and the Executive shall have thirty (30) days from the delivery of such notification to remedy the breach. "Cause" means (i) an act of personal

dishonesty in connection with the Executive's responsibilities as an employee of the Company that is intended to result in a substantial personal enrichment of the Executive; (ii) a plea of guilty or nolo contendere to, or conviction of, a felony which the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business; (iii) a breach of any fiduciary duty owed to the Company that has a material detrimental effect on the Company's reputation or business (except in the case of a personal disability) as determined in good faith by the CEO and the Board; or (iv) willful violations of the Executive's obligations to the Company.

b. Death. This Agreement will terminate automatically upon the death of the Executive.

c. Disability. The Company may terminate the Executive's employment if the Executive suffers from a physical or mental disability. The Executive will only be deemed to have a physical or mental disability if the Executive is unable to perform the essential functions of his position, with reasonable accommodation, for a period of at least one hundred twenty (120) consecutive days because of a physical or mental impairment.

d. Good Reason. The Executive shall be able to terminate this Agreement at any time for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, with respect to the Executive, in each case to the extent not consented by the Executive, (i) a material violation of this Agreement or any other agreement between the Executive and the Company, by the Company or (ii) any assignment of duties to the Executive that would require an unreasonable amount of the Executive's work time and that are duties which customarily would be discharged by persons junior or subordinate in status to the Executive within the Company as determined in good faith by the Executive and taking into consideration trends and customs in the market and industry in which the Company operates; provided that the Executive shall not have Good Reason unless the Executive shall have provided the Company written notice describing such violation in sufficiently reasonable detail for the Company to understand the breach alleged to have occurred, and the Company shall fail to cure such alleged breach within thirty (30) days after the Executive has provided the Company the required notice.

e. Other Termination. Either party may terminate the Executive's employment by providing to the other party at least thirty (30) days' prior written notice, unless such basis for termination is governed by Section 6(a), 6(b), 6(c) or 6(d).

f. Compensation in the Event of Termination. In the event that the Executive's employment pursuant to this Agreement terminates for any reason or no reason, the Company shall pay to the Executive within thirty (30) days of such termination: (i) accrued and unpaid Base Salary in accordance with Section 3(a) plus accrued and unpaid amounts for any unused vacation days which have accrued (but not including any unused personal or sick days) and (ii) any unreimbursed expenses payable in accordance with Section 4.

g. Severance. If the Company terminates the Executive's employment at any time without Cause, or the Executive terminates employment with the Company for Good Reason, the Executive shall receive an amount equal to the Executive's then current Base Salary for six months (the "Severance Period"), less all applicable withholdings and deductions (the

"Severance"), paid in equal installments beginning on the Company's first regularly scheduled payroll date thereafter, and, if elected by the Executive in accordance with the election procedures in place at the time of termination, the Company shall, during the Severance Period, reimburse the Executive for COBRA continuation premiums for the Executive and the Executive's covered qualified dependents. [1]

7. Assignment of Intellectual Property Rights. In consideration of his employment, the Executive agrees to be bound by this Section 7.

a. General. The Executive agrees to assign, and hereby assigns, to the Company all of his rights in any Inventions (as hereinafter defined) (including all Intellectual Property Rights (as hereinafter defined) therein or related thereto) that were previously or are made, conceived or reduced to practice, in whole or in part and whether alone or with others, by him during his employment by, or service with, the Company or which arise out of any activity conducted by, for or under the direction of the Company (whether or not conducted at the Company's facilities, working hours or using any of the Company's assets), or which are useful with, or relate directly or indirectly to, any Company Interest (as defined below). The Executive will promptly and fully disclose and provide all of the Inventions described above (the "Assigned Inventions") to the Company.

b. Assurances. The Executive hereby agrees, during the duration of his employment by the Company and thereafter, to further assist the Company, at the Company's expense, to evidence, record and perfect the Company's rights in and ownership of the Assigned Inventions, to perfect, obtain, maintain, enforce and defend any rights specified to be so owned or assigned and to provide and execute all documentation necessary to effect the foregoing.

c. Other Inventions. The Executive agrees to not incorporate, or permit to be incorporated, any Invention conceived, created, developed or reduced to practice by him (alone or with others) prior to or independently of his employment by the Company (collectively, "Prior Inventions" attached hereto as Exhibit C) in any work he performs for the Company, without the Company's prior written consent. If (i) he uses or discloses any Prior Inventions when acting within the scope of his employment (or otherwise on behalf of the Company), or (ii) any Assigned Invention cannot be fully made, used, reproduced or otherwise exploited without using or violating any Prior Inventions, the Executive hereby grants and agrees to grant to the Company a perpetual, irrevocable, worldwide, royalty-free, non-exclusive, sublicenseable right and license to reproduce, make derivative works of, distribute, publicly perform, publicly display, make, have made, use, sell, import, offer for sale, and otherwise exploit and exercise all such Prior Inventions and Intellectual Property Rights therein.

d. Definitions. "Company Interest" means any business of the Company or any product, service, Invention or Intellectual Property Right that is used or under consideration or development by the Company. "Intellectual Property Rights" means any and all intellectual property rights and other similar proprietary rights in any jurisdiction, whether registered or unregistered, and whether owned or held for use under license with any third party, including all rights and interests pertaining to or deriving from: (a) patents and patent applications,

reexaminations, extensions and counterparts claiming property therefrom; inventions, invention disclosures, discoveries and improvements, whether or not patentable; (b) computer software and firmware, including data files, source code, object code and software-related specifications and documentation; (c) works of authorship, whether or not copyrightable; (d) trade secrets (including those trade secrets defined in the Uniform Trade Secrets Act and under corresponding statutory law and common law), business, technical and know-how information, non-public information, and confidential information and rights to limit the use of disclosure thereof by any person; (e) trademarks, trade names, service marks, certification marks, service names, brands, trade dress and logos and the goodwill associated therewith; (f) proprietary databases and data compilations and all documentation relating to the foregoing, including manuals, memoranda and record; (g) domain names; and (h) licenses of any of the foregoing; including in each case any registrations of, applications to register, and renewals and extensions of, any of the foregoing with or by any governmental authority in any jurisdiction. "Invention" means any products, process, ideas, improvements, discoveries, inventions, designs, algorithms, financial models, writings, works of authorship, content, graphics, data, software, specifications, instructions, text, images, photographs, illustration, audio clips, trade secrets and other works, material and information, tangible or intangible, whether or not it may be patented, copyrighted or otherwise protected (including all versions, modifications, enhancements and derivative work thereof).

8. Restrictive Covenants. The Executive acknowledges and agrees that he has and will have access to secret and confidential information of the Company and its subsidiaries ("Confidential Information") and that the following restrictive covenants are necessary to protect the interests and continued success of the Company. As used in this Agreement, Confidential Information includes, without limitation, all information of a technical or commercial nature (such as research and development information, patents, trademarks and copyrights and applications thereto, formulas, codes, computer programs, software, methodologies, processes, innovations, software tools, know-how, knowledge, designs, drawings specifications, concepts, data, reports, techniques, documentation, pricing information, marketing plans, customer and prospect lists, trade secrets, financial information, salaries, business affairs, suppliers, profits, markets, sales strategies, forecasts and personnel information), whether written or oral, relating to the business and affairs of the Company, its customers and/or other business associates which has not been made available to the general public.

a. Confidentiality. The Executive shall not disclose any Confidential Information to any person or entity at any time during or after the termination of this Agreement or the Executive's employment.

b. Non-Compete. In consideration of the employment hereunder, the Executive agrees that during his employment and for a period of one (1) years thereafter, the Executive will not (and will cause any entity controlled by the Executive not to), directly or indirectly, whether or not for compensation and whether or not as an employee, be engaged in or have any financial interest in any business competing with or which may compete with the business of the Company (or with the business of any affiliate of the Company conducting substantially similar activities) (such affiliates together with the Company, collectively, "Wayside") within any state, country, region or locality in which Wayside is then doing business or marketing its products or solicit, advise, provide or sell any services or products of the same or similar nature to services or products

of Wayside to any person or entity. For purposes of this Agreement, the Executive will be deemed to be engaged in or to have a financial interest in such competitive business if he is an officer, director, shareholder, joint venturer, agent, salesperson, consultant, investor, advisor, principal or partner, of any person, partnership, corporation, trust or other entity which is engaged in such a competitive business, or if he directly or indirectly performs services for such an entity or if a member of Executive's immediate family beneficially owns an equity interest, or interest convertible into equity, in any such entity; provided, however, that the foregoing will not prohibit the Executive or a member of her immediate family from owning, for the purpose of passive investment, less than 5% of any class of securities of a publicly held corporation.

c. Non-Solicitation/Non-Interference. The Executive agrees that during his employment and for an additional one (1) years after the termination thereof, the Executive shall not (and shall cause any entity controlled by the Executive not to), directly or indirectly, acting as an employee, owner, shareholder, partner, joint venturer, officer, director, agent, salesperson, consultant, advisor, investor or principal of any corporation, trust or other entity: (i) solicit, request or otherwise attempt to induce or influence, directly or indirectly, any present client, distributor, licensor or supplier, or prospective client, distributor, licensor or supplier, of Wayside, or other persons sharing a business relationship with Wayside, to cancel, limit or postpone their business with Wayside, or otherwise take action which might cause a financial disadvantage of Wayside; or (ii) hire or solicit for employment, directly or indirectly, or induce or actively attempt to influence, any employee, officer, director, agent, contractor or other business associate of Wayside, including any of its Affiliates, as such term is defined in the Securities Act of 1933, as amended, to terminate his or her employment or discontinue such person's consultant, contractor or other business association with Wayside or its Affiliates. For purposes of this Agreement the term prospective client shall mean any person, group of associated persons or entity whose business Wayside has solicited at any time prior to the termination of his employment.

d. The Parties agree that they will not in any way disparage each other, including current or former officers, directors and employees, nor will they make or solicit any comments, statements or the like to the media or to others that may be considered to be disparaging, derogatory or detrimental to the good name or business reputation of the other.

e. If the Board, in its reasonable discretion, determines that the Executive violated any of the restrictive covenants contained in this Section 8, the applicable restrictive period shall be increased by the period of time from the commencement of any such violation until the time such violation shall be cured by the Executive to the satisfaction of the Company.

f. In the event that either any scope or restrictive period set forth in this Section 8 is deemed to be unreasonably restrictive or unenforceable in any court proceeding, the scope and/or restrictive period shall be reduced to equal the maximum scope and/or restrictive period allowable under the circumstances.

g. The Executive acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Section 8 by the Executive, the Company may suffer irreparable harm and, therefore, the Company shall be entitled to obtain immediate injunctive relief restraining the Executive from such breach or threatened breach of the restrictive covenants contained in this

Section 8. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of damages from the Executive. The Company acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Section 8 by the Company, the Executive may suffer irreparable reputation harm and, therefore, the Executive shall be entitled to obtain immediate injunctive relief restraining the Company from such breach or threatened breach of the restrictive covenants contained in this Section 8. Nothing herein shall be construed as prohibiting the Executive from pursuing any other remedies available to him for such breach or threatened breach, including the recovery of damages from the Company.

9. Section 409A

a. All payments contemplated under this Agreement are intended to comply with, or be exempt from, the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and guidance promulgated thereunder ("Section 409A"), so that none of the payments and benefits to be provided hereunder, including, without limitation, the salary continuation in Section 5.5 above, will be subject to the additional tax imposed under Section 409A. Executive and Company agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A. This agreement is intended to be written, administered, interpreted and construed in a manner such that no benefit under the Agreement becomes subject to (A) the gross income inclusion set forth in Section 409A(a)(1)(A) or (b) the interest and additional tax set forth in Section 409A(a)(1)(B) (collectively, "Section 409A Penalties"), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of Section 409A Penalties. Further, to the extent that any terms of this Agreement are ambiguous, such terms shall be interpreted and administered as necessary to comply with Section 409A, or an exemption under Section 409A, to the full extent applicable. If the Severance hereunder is considered deferred compensation subject to Section 409A, then it shall only begin to be paid upon a termination of employment that is also a "separation from service" as defined in Section 409A. Each payment, installment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. In no event will Company reimburse Executive for any taxes that may be imposed on Executive as a result of Section 409A.

b. Notwithstanding anything to the contrary in this Agreement, if Executive is a "specified employee" within the meaning of Section 409A at the time of Executive's separation from service (as defined in Section 409A), other than due to death, then the benefits to be paid or provided to Executive upon separation from service, if any, pursuant to this Agreement that are considered deferred compensation not exempt under Section 409A, when considered together with any other termination benefits that are considered deferred compensation not exempt under Section 409A (together, the "Deferred Payments"), which are payable within the first six months following Executive's separation from service, will become payable on the first payroll date that occurs on or after the date six months and one day following the date of Executive's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.

10. Attorneys' Fees. If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of any provision of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled pursuant to the underlying action.

11. No Conflicts. The Executive represents and warrants to the Company that the execution, delivery and performance by the Executive of this Agreement do not conflict with or result in a violation or breach of, or constitute (with or without the giving of notice or the lapse of time or both) a default under any contract, agreement or understanding, whether oral or written, to which the Executive is a party or by which the Executive is bound and that there are no restrictions, covenants, agreements or limitations on the Executive's right or ability to enter into and perform the terms of this Agreement, and the Executive agrees to indemnify and save the Company harmless from any liability, cost or expense, including attorney's fees, based upon or arising out of any breach of this Section 10.

12. Waiver. The waiver by either party of any breach by the other party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by such party. No person acting other than pursuant to a resolution of the Company shall have authority on behalf of the Company to agree to amend, modify, repeal, waive or extend any provision of this Agreement.

13. Assignment. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. This Agreement shall inure to the benefit of and be enforceable by the Executive or his legal representatives, executors, administrators and heirs. The Executive may not assign any of the Executive's duties, responsibilities, obligations or positions hereunder to any person and any such purported assignment by the Executive shall be void and of no force and effect.

14. Notices. All notices, requests, demands and other communications which are required or may be given pursuant to this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; upon confirmation of transmission if sent by telecopy, electronic or digital transmission; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (e.g., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to:

If to Executive, addressed to:

Charles Bass
12427 Bayhill Drive
Carmel, IN 46033

If to the Company, addressed to:

Wayside Technology Group, Inc.

4 Industrial Way W.
Eatontown, New Jersey 07724

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

15. Construction of Agreement.

a. Governing Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the internal laws of Delaware without reference to its principles regarding conflicts of law.

b. Severability. In the event that any one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

c. Headings. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience of reference only and shall not constitute a part of this Agreement.

d. Entire Agreement. This Agreement, inclusive of Exhibit A hereto, contains the entire agreement of the parties concerning the Executive's employment and all promises, representations, understandings, arrangements and prior agreements on such subject are merged herein and superseded hereby.

[Signatures appear on next page]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has set his hand, all as of the day and year first above written.

WAYSIDE TECHNOLOGY GROUP, INC

By: /s/ Simon Nynens
Name: Simon Nynens
Its: Chief Executive Officer

EXECUTIVE

/s/ Charles Bass
Charles Bass

Exhibit A

Prior Inventions: none

CERTIFICATION

I, Dale Foster, 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: May 8, 2020

/s/ Dale Foster
Dale Foster
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Michael Vesey, 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: May 8, 2020

/s/ Michael Vesey
Michael Vesey
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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 March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dale Foster, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §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/ Dale Foster
Dale Foster
Chief Executive Officer
(Principal Executive Officer)
May 8, 2020

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.

Exhibit 32.2

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 March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Vesey, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §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/ Michael Vesey
Michael Vesey
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)
May 8, 2020

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.