Wayside Technology Group, Inc.
Form 10-K
March 13, 2008

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

FORM 10-K

[X]

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

For the fiscal year ended December 31, 2007

OR

[ ]

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

For the transition period from ______________ to _______________

Commission file number: 000-26408

WAYSIDE TECHNOLOGY GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

13-3136104

(State or other jurisdiction of incorporation)

(IRS Employer Identification Number)

1157 Shrewsbury Avenue, Shrewsbury, New Jersey

07702

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(732) 389-8950

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	The Nasdaq Global Market

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [ ] No [x]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [ ] No [x]

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or other information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act). Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller Reporting Company [x]

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

The aggregate market value of the Common Stock held by non-affiliates of the Registrant computed by reference to the closing sale price for the Registrant's Common Stock as of June 29, 2007, which was the last business day of the Registrant's most recently completed second fiscal quarter, as reported on The NASDAQ Global Market, was approximately $61,904,575. (In determining the market value of the Common Stock held by any non-affiliates, shares of Common Stock of the Registrant beneficially owned by directors, officers and holders of more than 10% of the outstanding shares of Common Stock of the Registrant have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.)

The number of shares outstanding of the Registrant's Common Stock as of March 10, 2008 was 4,739,235 shares.

Documents Incorporated by Reference

: Portions of the Registrant's definitive Proxy Statement for its 2008 Annual Meeting of Stockholders to be filed on or before April 29, 2008 are incorporated by reference into Part III of this Report.

PART I

Item 1 Business

General

Wayside Technology Group, Inc. (the "Company," "us," "we," or "our") is a marketer of software in the United States and Canada targeting software development and information technology professionals within enterprise organizations.

Wayside Technology Group, Inc. was incorporated in Delaware in 1982. Our Common Stock is listed on The NASDAQ Global Market under the symbol "WSTG". Our main web site address is www.waysidetechnology.com, and the other web sites maintained by our business include www.programmers.com, www.lifeboatdistribution.com, and www.techxtend.com. Information on our web sites should not be considered filed with the Securities and Exchange Commission. Information contained on our web sites is not, and should not be deemed to be, a part of this report.

The Company markets software to software development and information technology professionals in the United States and Canada. It operates through two segments, Programmer's Paradise and Lifeboat. The Programmer's Paradise segment sells technical software, hardware, and services for microcomputers, servers, and networks to individual programmers, corporations, government agencies, and educational institutions. The Lifeboat segment distributes technical software to corporate and value-added resellers, consultants, and systems integrators.

The Company's catalogs are full color "magalogs" and offer some of the most complete collections of microcomputer technical software, including programming languages, tools, utilities, libraries, development systems, interfaces and communication products.

Competition

The software distribution market is highly competitive. Pricing is very aggressive and the Company expects pricing pressure to continue. The Company faces competition from a wide variety of sources including: vendors who sell direct to customers; software resellers; superstores; catalogers; web sites; and other direct marketers of software products. Some of our competitors are significantly larger and have substantially greater resources than the Company. Many of our competitors compete principally on the basis of price, product availability, customer service and technical support. The market for developer software products is characterized by rapid changes in technology, user requirements, and customer specifications. The Company competes in acquiring prospective buyers and in sourcing new products from software developers and publishers, as well as in marketing its current product line to its customers.

There can be no assurance that the Company can compete effectively against existing competitors or new competitors that may enter the market and generate profit margins which represent a fair return to the Company. In addition, price is an important competitive factor in the personal computer software market and there can be no assurance that the Company will not be subject to increased price competition. An increase in the amount of competition faced by the Company, or its failure to compete effectively against its competitors, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company believes that its ability to offer software developers and information technology ("IT") professionals a wide selection of products at low prices with prompt delivery and high customer service levels, along with its good relationships with vendors and suppliers, allow it to compete effectively. The Company competes to gain distribution rights for new products primarily on the basis of its reputation and its relationships with software publishers.

The manner in which software products are distributed and sold is changing, and new methods of distribution and sale may emerge or expand. Software developers and publishers have sold, and may intensify their efforts to sell, their products directly to end-users. The evolution of the Internet as a viable platform in which to conduct e-commerce business transactions has both lowered the barriers for competition and broadened customer access to products and information. From time to time, certain software developers and publishers have instituted programs for the direct sale of large order quantities of software to certain major corporate accounts. These types of programs may continue to be developed and used by various developers and publishers. While Microsoft and other vendors currently sell new releases or upgrades directly to end users, they have not attempted to completely bypass the reseller channel. Future efforts by such entities to bypass third-party sales channels could materially and adversely affect the Company's result of operations.

In addition, resellers and publishers may attempt to increase the volume of software products distributed electronically through ESD (Electronic Software Distribution) technology, through subscription services, and through on-line shopping services. Any of these competitive programs, if successful, could have a material adverse effect on the Company's result of operations.

Products

The Company offers a wide variety of products from a broad range of publishers and manufacturers, including VMware Inc., CA Inc., Quest Software, Inc., GFI Software, Intel Corporation, Infragistics, TechSmith Corporation, Macrovision Corp., Vizioncore Inc. and Mindjet Corporation. On a continuous basis, new products are screened for inclusion in our catalogs and web sites based on their features, quality, price, profit margins and warranties, as well as on current sales trends. Since the Company predominantly sells software, sales of hardware and peripherals represented only 3%, 2% and 5%, respectively, of our overall revenue in 2007, 2006 and 2005.

Marketing and Distribution

We market products through creative marketing communications, our catalogs, our web sites, industry magazines, and national trade shows. We also use direct e-mail and printed material to introduce new products and upgrades, to cross-sell products to current customers, and to educate and inform. We believe that our catalogs are important marketing vehicles for software publishers and manufacturers. These catalogs provide a cost-effective and service-oriented means to market, sell and fulfill software products.

One customer, CDW Corporation, accounted for 10.9%, 15.8%, and 14.2% of our consolidated net sales in 2007, 2006, and 2005, respectively, and 2.5% of accounts receivable as of December 31, 2007. Our top five customers accounted for 28%, 28%, and 27% of consolidated net sales in 2007, 2006, and 2005, respectively. The Company generally ships products within 48 hours of confirming a customer's order. This allows for minimum backlog in the business.

Sales in Canada represented 13% of our consolidated revenues in 2007 as compared to 13% in 2006, and 12% in 2005. For geographic financial information, please refer to Note 9 to our Notes to Consolidated Financial Statements.

Customer Support

We believe that providing a high level of customer service is necessary to compete effectively and is essential to continued sales and revenue growth. Our account representatives assist our customers with all aspects of purchasing decisions, process products ordered and respond to customer inquiries on order status, product pricing and availability. The account representatives are trained to answer all basic questions about the features and functionality of products. To deal with technical issues, we maintain an in-house technical support staff.

Purchasing and Fulfillment

The Company's success is dependent, in part, upon the ability of its suppliers to develop and market products that meet the changing requirements of the marketplace. The Company believes it enjoys good relationships with its vendors. The Company and its principal vendors have cooperated frequently in product introductions and in other marketing programs. As is customary in the industry, the Company has no long-term supply contracts with any of its suppliers. Substantially all of the Company's contracts with its vendors are terminable upon 30 days' notice or less. The manner in which software products are distributed and sold is changing, and new methods of distribution and sale may emerge or expand. Software publishers have sold, and may intensify their efforts to sell, their products directly to end-users. The Company's business and results of operations may be adversely affected if the terms and conditions of the Company's authorizations with its vendors were to be significantly modified or if certain products become unavailable to the Company.

We believe that effective purchasing from a diverse vendor base is a key element of our business strategy. For the year ended December 31, 2007, VMware was the only individual vendor from whom our purchases exceeded 10%. For the year ended December 31, 2007, VMware accounted for 36.8% of total purchases. For the years ended December 31, 2006 and 2005, VMware accounted for 53.4% and 35.1%, respectively of total purchases. For the years ended December 31, 2006 and 2005, Ingram Micro accounted for 11.2% and 17.5%, respectively of total purchases. The loss of these vendors, or any other key vendor, could have an adverse effect on the Company.

In 2007, the Company purchased approximately 90% of its products directly from manufacturers and publishers and the balance from multiple distributors, as compared to 86% in 2006, and 79% in 2005. Most suppliers or distributors will "drop ship" products directly to the customers, which reduces physical handling by the Company. These inventory management techniques allow the Company to offer a greater range of products without increased inventory requirements.

Inventory levels may vary from period to period, due in part to increases or decreases in sales levels, the Company's practice of making large-volume purchases when it deems the terms of such purchases to be attractive, and the addition of new suppliers and products. Moreover, the Company's order fulfillment and inventory control allow the Company to order certain products just in time for next day shipping. The Company promotes the use of electronic data interchange ("EDI") with its suppliers, which helps reduce overhead and the use of paper in the ordering process. Although brand names and individual products are important to our business, we believe that competitive sources of supply are available for substantially all product categories we carry.

The Company operates distribution facilities in Shrewsbury, New Jersey and Mississauga, Canada.

Management Information Systems

The Company operates management information systems on Windows NT and MPE platforms that allow for centralized management of key functions, including inventory, accounts receivable, purchasing, sales and distribution. We are dependent on the accuracy and proper utilization of our information technology systems, including our telephone, web sites, e-mail and fax systems.

The management information systems allow the Company to monitor sales trends, provide product availability and order status information, track direct marketing campaign performance and to make marketing event driven purchasing decisions. In addition to the main system, the Company has systems of networked personal computers, as well as microcomputer-based desktop publishing systems, which facilitate data sharing and provide an automated office environment.

The Company recognizes the need to continually upgrade its management information systems to most effectively manage its operations and customer database. In that regard, the Company anticipates that it will, from time to time, require software and hardware upgrades for its present management information systems.

Trademarks

The Company conducts its business under the various trademarks and service marks of Programmer's Paradise, the "Island Man" cartoon character logo, and Lifeboat. The Company protects these trademarks and service marks and believes that they have significant value and are important factors in its marketing programs.

Employees

As of December 31, 2007, Wayside Technology Group, Inc. and its subsidiaries had 96 full-time and 4 part-time employees. The Company is not a party to any collective bargaining agreements with its employees, has experienced no work stoppages and considers its relationships with its employees to be satisfactory.

Executive Officers of the Company

Set forth below are the name, age, present title, principal occupation and certain biographical information for our executive officers as of February 1, 2008, all of whom have been appointed by and serve at the discretion of our board of directors.

Name	Age	Position
Simon F. Nynens	36	Chairman, President and Chief Executive Officer
Richard J. Bevis	58	Vice President Marketing
Daniel T. Jamieson	50	Vice President and General Manager-Lifeboat

Vito Legrottaglie

44

Vice President - Operations

Kevin T. Scull

42

Vice President and Chief Accounting Officer

Simon F. Nynens

was appointed President and Chief Executive Officer in January 2006. Mr. Nynens also serves on the Board of Directors and was named Chairman in June 2006. He previously held the position of Executive Vice President and Chief Financial Officer since June 2004. Mr. Nynens served as Vice President and Chief Financial Officer since January 2002. Prior to January 2002, Mr. Nynens served as the Vice President and Chief Operating Officer of the Company's European operations.

Richard J. Bevis

was appointed Vice President Marketing in July 2007. Prior to joining Wayside Technology Group, Inc., Mr. Bevis worked for Covance Inc. as Senior Director Marketing Communication from 2003 to 2007. He also held the position of Vice President Corporate Communications for Eyretel, PLC from 2002 to 2003.

Daniel T. Jamieson was appointed Vice President and General Manager of Lifeboat in April 2003. Prior to that, and since 1992, Mr. Jamieson held various sales and marketing management positions within the Company.

Vito Legrottaglie

was appointed to the position of Vice President of Operations in April 2007. He previously held the position of Vice President of Information Systems since June 2003. Mr. Legrottaglie has previously served as Vice President of Information Systems from 1999 to 2000 and had been with the Company since 1996. Mr. Legrottaglie has also held the positions of Chief Technology Officer at Swell Commerce Incorporated, Vice President of Operations for The Wine Enthusiast Companies and Director of Information Systems at Barnes & Noble.

Kevin T. Scull

was appointed Vice President and Chief Accounting Officer in January 2006. He previously held the position as Corporate Controller of the Company since January 2003. Prior to joining Wayside Technology Group, Inc., Mr. Scull previously worked for Niksun Inc. as Accounting Manager since January 2001 and, prior to that, he worked for Telcordia Inc. since December 2000 as Manager of Accounting Policies.

Available Information

Under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company is required to file annual, quarterly and current reports, proxy and information statements and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC maintains a web site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Company files electronically with the SEC. The Company makes available, free of charge, through its internet web site its reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as soon as reasonably practicable after they are filed with the SEC. The following address for the Company's web site includes a hyperlink to those reports: http://www.waysidetechnology.com/financial.aspx. The information contained on our web site is not part of, and is not incorporated in, this or any other report we file with or furnish to the SEC.

In January 2004, we adopted a Code of Ethical Conduct. The full text of the Code of Ethical Conduct, which applies to all employees, officers and directors of the Company, including our Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer is available at our web site, http://www.waysidetechnology.com/ethics.aspx. The Company intends to disclose any amendment to, or waiver from, a provision of the Code of Ethical Conduct that applies to our Chief Executive Officer, Chief Accounting Officer or Controller on our investor relations web site.

Item 1A. Risk Factors

Investors should carefully consider the risk factors set forth below as well as the other information contained in this report. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or those currently viewed by us to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Changes in the information technology industry and/or economic environment may reduce demand for the products and services we sell. Our results of operations are influenced by a variety of factors, including the condition of the IT industry, general economic conditions, shifts in demand for, or availability of, computer products and software and IT services and industry introductions of new products, upgrades or methods of distribution. Net sales can be dependent on demand for specific product categories, and any change in demand for or supply of such products could have a material adverse effect on our net sales, and/or cause us to record write-downs of obsolete inventory, if we fail to react in a timely manner to such changes.

We rely on our suppliers for product availability, marketing funds, purchasing incentives and competitive products to sell. We acquire products for resale both directly from manufacturers and indirectly through distributors. The loss of a supplier could cause a disruption in the availability of products. Additionally, there is no assurance that, as manufacturers continue to sell directly to end users and through the distribution channel, they will not limit or curtail the availability of their product to resellers like us. Our inability to obtain a sufficient quantity of product, or an allocation of products from a manufacturer in a way that favors one of our competitors relative to us, could cause us to be unable to fill clients' orders in a timely manner, or at all, which could have a material adverse effect on our business, results of operations and financial condition.

The IT products and services industry is intensely competitive and actions of competitors, including manufacturers of products we sell, can negatively affect our business. Competition has been based primarily on price, product availability, speed of delivery, credit availability and quality and breadth of product lines and, increasingly, is also based on the ability to tailor specific solutions to client needs. We compete with manufacturers, including manufacturers of products we sell, as well as a large number and wide variety of marketers and resellers of IT products and services. In addition, manufacturers are increasing the volume of software products distributed electronically directly to end-users and in the future will likely pay lower referral fees for sales of certain software licensing agreements sold by us. Generally, pricing is very aggressive in the industry, and we expect pricing pressures to continue. There can be no assurance that we will be able to negotiate prices as favorable as those negotiated by our competitors or that we will be able to offset the effects of price reductions with an increase in the number of clients, higher net sales, cost reductions, greater sales of services, which are typically at higher gross margins, or otherwise. Price reductions by our competitors that we either cannot or choose not to match could result in an erosion of our market share and/or reduced sales or, to the extent we match such reductions, could result in reduced operating margins, any of which could have a material adverse effect on our business, results of operations and financial condition.

Disruptions in our information technology and voice and data networks could affect our ability to service our clients and cause us to incur additional expenses. We believe that our success to date has been, and future results of operations will be, dependent in large part upon our ability to provide prompt and efficient service to clients. Our ability to provide such services is largely dependent on the accuracy, quality and utilization of the information generated by our IT systems, which affect our ability to manage our sales, client service, distribution, inventories and accounting systems and the reliability of our voice and data networks.

We depend on certain key personnel. Our future success will be largely dependent on the efforts of key management personnel. We also believe that our future success will be largely dependent on our continued ability to attract and retain highly qualified management, sales, service and technical personnel. We cannot assure you that we will be able to attract and retain such personnel. Further, we make a significant investment in the training of our sales account executives. Our inability to retain such personnel or to train them either rapidly enough to meet our expanding needs or in an effective manner for quickly changing market conditions could cause a decrease in the overall quality and efficiency of our sales staff, which could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Common Stock. The exercise of outstanding options may dilute your ownership of our common stock. Our common stock is thinly traded. As a result of the thin trading market for our stock, its market price may fluctuate significantly more than the stock market as a whole or the stock prices of similar companies. Without a larger float, our common stock will be less liquid than the stock of companies with broader public ownership, and, as a result, the trading prices for our common stock may be more volatile. Among other things, trading of a relatively small volume of our common stock may have a greater impact on the trading price for our stock than would be the case if our public float were larger.

Item 1B Unresolved Staff Comments

Not applicable.

Item 2 Properties

The Company leases 18,000 square feet of space in Shrewsbury, New Jersey for its corporate headquarters and warehouse under a lease expiring in December 2012. Total annual rent expense for these premises is approximately $225,000. Additionally, the Company leases approximately 3,700 square feet of office and warehouse space in Mississauga, Canada, under a lease, which expires November 30, 2010. Total annual rent expense for these premises is approximately $30,000. We believe that each of the properties is in good operating condition and such properties are adequate for the operation of the Company's business as currently conducted.

Item 3 Legal Proceedings

There are no material legal proceedings pending against the Company or any of its subsidiaries.

Item 4 Submission of Matters to a Vote of Security Holders

There were no matters submitted during the fourth quarter of 2007 to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

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

Shares of our Common Stock, par value $0.01, trade on The NASDAQ Global Market under the symbol "WSTG". Shares of the Company's Common Stock traded under the Company's former name Programmer's Paradise Inc., and ticker symbol "PROG" until August 23, 2006. The Company's Common Stock was listed on The NASDAQ Capital Market up until December 21, 2006 at which time it was transferred to The NASDAQ Global Market. Following is the range of low and high closing prices for our Common Stock as reported on The NASDAQ Global and Capital Markets, as applicable.

	High	Low
2007		

First Quarter	$15.890	$14.500
Second Quarter	16.310	14.280
Third Quarter	18.540	13.430
Fourth Quarter	13.960	8.990
2006		
First Quarter	$13.320	$10.500
Second Quarter	14.190	12.740
Third Quarter	15.050	13.310
Fourth Quarter	16.200	

13.400

In 2007 and 2006, we declared quarterly dividends totaling $0.44 and $0.54 per share, respectively, on our Common Stock. These dividends are reflected in the financial statements as a reduction in additional paid in capital.

During 2007, we issued 159,445 shares of our Common Stock from treasury stock to employees and former employees, pursuant to the exercise of incentive stock options granted to them prior to 2006 under the Company's stock option plans. During 2007, the Company granted a total of 30,000 shares of restricted stock to officers, directors and employees from treasury stock. A total of 12,500 shares of restricted common stock were forfeited as a result of employees and officers terminating employment with the Company and returned to treasury stock.

During 2006, we issued 290,555 shares of our Common Stock from treasury stock to employees and former employees, pursuant to the exercise of incentive stock options granted to them prior to 2006 under the Company's stock option plans. During 2006, the Company also granted from treasury stock 315,000 shares of restricted common stock to officers, directors and employees under the Company's 2006 Stock-Based Compensation Plan.

As of February 27, 2008 there were approximately 39 record holders of our Common Stock.

During the fourth quarter of 2007, we repurchased shares of our Common Stock as follows:

Total Number of Shares Purchased

Average Price Paid Per Share

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

Period

(1)

(2)

(3)

October 1- October 31, 2007

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-

-

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					220,251
November 1, 2007- November 30, 2007	413	$10.88	-	-	220,251
December 1, 2007- December 31, 2007	485	$9.46	-	-	220,251
Total	898	$10.11	-	-	220,251

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

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

(3) In 2002, the Company's Board of Directors authorized the purchase of 1,490,000 shares of our Common Stock. In October 1999, the Company was authorized by the Board of Directors to buy back an additional 521,013 shares of our Common Stock in both open market and private transactions, as conditions warrant. A total of 1,790,762 shares of the Company's stock have been bought back to date leaving a balance of 220,251 shares of Common Stock that the Company is authorized to buy back in the future. These stock repurchase programs do not have an expiration date.

STOCK PRICE PERFORMANCE GRAPH

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on the Company's Common Stock with the cumulative total return of the S&P Midcap 400 Index and the S&P 500 Computer and Electronics Retail Index for the period commencing December 31, 2002 and ending December 31, 2007, assuming $100 was invested on December 31, 2002 and the reinvestment of dividends.

INDEXED RETURNS

Base

Years Ending

Period

Company / Index

Dec02

Dec03

Dec04

Dec05

Dec06

Dec07

Wayside Technology Group, Inc.

100

388.32

869.33

733.95

965.91

593.49

S&P MidCap 400 Index

100

135.62

157.97

177.81

196.16

211.81

S&P 500 Computer & Electronics Retail Index

100

194.17

226.67

238.76

252.96

251.97

Item 6 Selected Financial Data

The following tables set forth, for the periods indicated, selected consolidated financial and other data for Wayside Technology Group, Inc. and its subsidiaries. You should read the selected consolidated financial and other data below in conjunction with our consolidated financial statements, the related notes and with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

Year Ended December 31,

(In thousands, except per share data)

	2003	2004	2005	2006	2007
Consolidated Statement of Operations Data:					
Net sales	$69,569	$103,582	$137,655	$182,319	$179,865
Cost of sales	60,609	91,243	122,685	165,350	162,630
Gross profit	8,960	12,339	14,970		

16,969

17,235

Selling, general and

administrative expenses

8,143

10,173

12,203

12,163

12,081

Income from operations

817

2,166

2,767

4,806

5,154

Other income, net

230

112

300

741

991

Income before income taxes

1,047

2,278

3,067

	5,547
	6,145
Income tax provision (benefit)	
	81
	(4,044)
	414
	2,279
	2,442
Net income	
	$966
	$6,322
	$2,653
	$3,268
	$3,703
Net income per share:	
Basic	
	$0.26
	$1.65
	$0.67
	$0.78
	$0.84
Diluted	
	$0.25
	$1.51
	$0.61

$0.72

$0.80

Weighted average common

shares outstanding:

Basic

3,724

3,828

3,976

4,191

4,406

Diluted

3,900

4,180

4,384

4,521

4,656

December 31

2003

2004

2005

2006

2007

Balance Sheet Data:

Cash and cash equivalents

$5,878

$4,888

$7,369

$13,832

$14,241

Marketable securities

5,033

6,595

7,884

7,032

9,641

Working capital

10,703

12,756

14,595

16,471

19,479

Total assets

20,489

32,914

44,268

57,281

56,753

Total stockholders' equity

11,195

16,495

17,998

21,298

24,492

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

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto. This discussion and analysis contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Risk Factors" and elsewhere in this report.

Overview

As of January 1, 2006 we have organized our Company into two reportable operating segments -- the "Programmer's Paradise" segment, which sells technical software, hardware and services directly to end-users (such as individual programmers, corporations, government agencies, and educational institutions) and the "Lifeboat" segment, which distributes technical software to corporate resellers, VARs, consultants and systems integrators.

We offer a wide variety of technical and general business application software from a broad range of publishers and manufacturers. We market these products through our catalogs, direct mail programs, advertisements in trade magazines, as well as through Internet and e-mail promotions.

Forward-looking Statements

This report includes "forward-looking statements" within the meaning of Section 21E of the Exchange Act. Statements in this report regarding future events or conditions, including statements regarding industry prospects and the Company's expected financial position, business and financing plans, are forward-looking statements.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. We strongly urge current and prospective investors to carefully consider the cautionary statements and risks contained in this report. Such risks include, but are not limited to, the continued acceptance of the Company's distribution channel by vendors and customers, the timely availability and acceptance of new products, contribution of key vendor relationships and support programs, as well as factors that affect the software industry generally.

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, market conditions and other factors, which could result in a fluctuation of sales below recent experience.

Stock Volatility.

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

Financial Overview

We reported a net income of $3.7 million for the year 2007 as compared to a net income of $3.3 million in 2006. Our income before income taxes increased by $0.6 million to $6.2 million compared to $5.6 million in 2006.

Income from operations amounted to $5.2 million in 2007 as compared to $4.8 million in 2006, an increase of $0.4 million as compared to 2006. Gross profit increased by $0.3 million dollars and Selling, General and Administrative ("SG&A") expenses decreased by $0.1 million to make up this increase.

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

Results of Operations

The following table sets forth for the years indicated the percentage of net sales represented by selected items reflected in the Company's Consolidated Statements of Earnings. The year-to-year comparison of financial results is not necessarily indicative of future results:

	Years ended December 31,		
	2005	2006	2007
Net sales	100.0%	100.0%	100.0%
Cost of sales	89.1	90.7	90.4
Gross profit	10.9		

9.3

9.6

Selling, general and administrative expenses

8.9

6.7

6.7

Income from operations

2.0

2.6

2.9

Other income, net

0.2

0.4

0.5

Income before income taxes

2.2

3.0

3.4

Income tax provision

0.3

1.2

1.4

Net income

1.9%

1.8%

2.0%

Year ended December 31, 2007 Compared to Year Ended December 31, 2006

Net Sales

Net sales for 2007 decreased 1% or $2.4 million to $179.9 million compared to $182.3 million in 2006. Total sales for the Programmer's Paradise division in 2007 amounted to $44.8 million, compared to $53.7 million in 2006, representing a 16.6% decrease. Total sales for our Lifeboat division were $135.1 million compared to $128.6 million in 2006, representing a 5% increase.

Sales from our Lifeboat division grew by 5% in 2007 compared to 2006. This growth was achieved as we added new lines and increased account penetration to offset the decline of $17.3 million in VMware sales compared to 2006. Our remaining distribution sales showed strong growth. Excluding VMware, sales during 2007 increased by $23.7 million from 2006, or 44%.

In the Programmer's Paradise segment, sales for 2007 decreased by $8.9 million, compared with the year-earlier period, primarily due to declining VMware sales as well as increased competition in the "direct-to-end user" segment of our business. The decline in VMware sales was mainly due to a change in the government's general services administration ("GSA") program by VMware. VMware has selected an exclusive reseller/distributor for GSA government sales. Instead of invoicing the government and recognizing the revenue, Programmer's Paradise now receives a referral fee for VMware GSA sales.

Gross Profits

Gross Profits for 2007 was $17.2 million compared to $17.0 million in 2006, a 2% increase. Total gross profits for our Programmer's Paradise division was $5.8 million compared to $7.3 million in 2006, representing a 21% decrease. Total gross profits for our Lifeboat division was $11.5 million compared to $9.7 million in 2006, representing an 18% increase.

Gross profits margin, as a percentage of net sales, for 2007 was 9.6% compared to 9.3% in the 2006. Gross profit margin percentage for our Programmer's Paradise division was 12.9% compared to 13.6% in 2006. Gross profits margin percentage for our Lifeboat segment was 8.5% compared to 7.5% in 2006.

The increase in gross profits margin as a percentage of net sales was primarily caused by the decline in VMware sales which carry lower margins than our other lines. The Lifeboat division represented 75% of total sales in 2007 compared to 71% in 2006. Gross profits margin percentage for our Lifeboat division was 8.5% compared to 12.9% for our Programmer's Paradise division.

Selling, General and Administrative Expenses

Total SG&A expenses for 2007 were $12.1 million compared to $12.2 million in 2006. This decrease was mainly the result of lower occupancy costs and a decrease in bad debt expense compared to 2006. As a percentage of net sales, SG&A expenses for 2007 and 2006 were 6.7%.

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 continue to monitor our SG&A expenses closely. We plan to expand our investment in information technology and marketing, while we monitor our sales and remaining general and administrative expenses closely.

Direct selling costs for 2007 were $5.8 million compared to $5.6 million in 2006, a 4% increase. Total direct selling costs for our Programmer's Paradise division were $2.9 million compared to $3.4 million in 2006, representing a 15% decrease mainly as a result of employing fewer sales staff as we focused on increasing the productivity per sales executive. Total direct selling costs for our Lifeboat division were $2.9 million compared to $2.2 million in 2006, representing a 32% increase, which was a result of the Company hiring additional sales staff to support the growth of our Lifeboat division.

Income Taxes

For the year ended December 31, 2007, the Company recorded a provision for income taxes of $2.4 million which consists of a provision of $1.0 million for U.S. federal income taxes as well as a $0.2 million provision for Canadian taxes, and a deferred tax expense of $1.2 million.

As of December 31, 2007 the Company had a U.S. deferred tax asset of approximately $1.9 million. The Company has fully utilized it U.S federal loss carry forwards during 2007 as well as the majority of its state tax loss carry forwards. The remaining state tax loss carry forwards will expire in varying amounts between 2007 and 2025.

For the year ended December 31, 2006, the Company recorded a provision for income taxes of $2.3 million which consists of a provision of $0.9 million for U.S. federal income taxes, a $0.1 million provision for state and local taxes and a $0.1 million for Canadian taxes, as well as a deferred tax expense of $1.2 million.

As of December 31, 2006, the Company had a U.S. deferred tax asset of approximately $3.1 million reflecting, in part, a benefit of $1.7 million in U.S. federal and state tax loss carry forwards.

Year ended December 31, 2006 Compared to Year Ended December 31, 2005

Net Sales

Net sales for 2006 increased 32% or $44.6 million to $182.3 million compared to $137.7 million in 2005. Total sales for Programmer's Paradise division in 2006 amounted to $53.7 million, compared to $53.7 million in 2005. Total sales for our Lifeboat division were $128.6 million compared to $84.0 million in 2005, representing a 53% increase.

Sales from our Lifeboat division showed strong growth. The 53% increase in net sales in 2006 compared to 2005 was mainly a result of our continued focus on the expanding virtual infrastructure-centric business, the addition of new vendor lines as well as strengthening of our account penetration.

Sales from our Programmer's Paradise division were unchanged from 2005 because of our renewed focus on our core business of marketing and selling technical software, tools and components and the shift away from commercially available software which typically carry lower margins.

Gross Profit

Gross Profit for 2006 was $17.0 million compared to $15.0 million in 2005, a 13% increase. Total gross profit for our Programmer's Paradise division was $7.3 million compared to $7.4 million in 2005, representing a 1% decrease. Total gross profit for our Lifeboat division was $9.7 million compared to $7.6 million in 2005, representing a 28% increase.

Gross profit margin, as a percentage of net sales, for 2006 was 9.3% compared to 10.9% in 2005. Gross profit margin for our Programmer's Paradise division was 13.6% compared to 13.8% in 2005. Gross profit margin for our Lifeboat segment was 7.5% compared to 9.0% in 2005.

The increase in gross profit dollars and the decrease in gross profit margin as a percentage of net sales were primarily caused by the aggressive sales growth within our Lifeboat division. The Lifeboat division represented 71% of total sales in 2006 compared to 61% in 2005. Gross profit margin for our Lifeboat division was 7.5% compared to 13.6% for our Programmer's Paradise division. The decrease in gross margin of our Lifeboat segment to 7.5% from 9.0% in 2005 mainly reflects the competitive nature of our business and a shift in our product mix. We also won several large bids based on our aggressive pricing and we plan to continue to do so.

Selling, General and Administrative Expenses

Total SG&A expenses for 2006 were $12.2 million compared to $12.2 million in 2005 as lower direct selling costs by division were offset by increased general costs including additional marketing, IT and web site staff and $0.3 million in compensation in 2006 related to the implementation of FAS 123(R) "Share-Based Payment" which requires the measurement and recognition in the income statement of all outstanding stock-based payment awards made to employees and directors based on the estimated fair value at date of grant. As a percentage of net sales, SG&A expenses for 2006 were 6.7% compared to 8.9% in 2005.

Direct selling costs for 2006 were $5.6 million compared to $6.0 million in 2005, a 7% decrease. Total direct selling costs for our Programmer's Paradise division were $3.4 million compared to $4.2 million in 2005, representing a 20% decrease mainly as a result of employing fewer sales staff as we focused on increasing the productivity per sales executive. Total direct selling costs for our Lifeboat division were $2.2 million compared to $1.8 million in 2005, representing a 23% increase, which was a result of the Company hiring additional sales staff to support the growth of our Lifeboat division.

Income Taxes

For the year ended December 31, 2006, the Company recorded a provision for income taxes of $2.3 million which consists of a provision of $0.9 million for U.S. federal income taxes, a $0.1 million provision for state and local taxes and a $0.1 million for Canadian taxes, as well as a deferred tax expense of $1.2 million.

For the year ended December 31, 2005, the Company recorded a provision for income taxes of approximately $0.4 million which consisted of a provision of $0.2 million for U.S. Federal taxes and $0.2 for state and local taxes income taxes and $0.02 million for foreign taxes offset by a deferred tax benefit of $0.02 million. As a result of the Company's performance in 2005, and the fact that New Jersey law allows a full deduction for net operating loss carryovers beginning in 2006, the $0.9 million of deferred income tax valuation allowance was reversed in the fourth quarter of 2005 by reducing the income tax provision.

Recent Accounting Pronouncements

As of December 31, 2007, the Financial Accounting Standards Board ("FASB") issued several pronouncements of significance to the Company which are discussed in detail below.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". SFAS No. 157 establishes a framework for measuring fair value under generally accepted accounting principles in the United States ("GAAP"), and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for our Company beginning January 1, 2008, except for non-financial assets and liabilities recognized or disclosed on a recurring basis, for which the effective date is fiscal years beginning after November 15, 2008. We are currently evaluating the impact of SFAS 157, but do not expect the adoption of SFAS 157 to have a material impact on our consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for our Company beginning January 1, 2008 for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. We do not expect any significant changes to our financial accounting and reporting as a result of this new accounting standard. We are currently evaluating the impact of SFAS 159, but do not expect the adoption of SFAS 159 to have a material impact on our consolidated financial position, results of operations or cash flows.

Liquidity and Capital Resources

In 2007 our cash and cash equivalents increased by $0.4 million to $14.2 million at December 31, 2007 from $13.8 million at December 31, 2006. Net cash provided by operating activities amounted to $5.3 million, net cash used in investing activities amounted to $3.1 million, cash used in financing activities amounted to $2.0 million and the effect of foreign exchange on cash was $0.2 million.

Net cash provided by operating activities in 2007 was $5.3 million. In 2007, cash was mainly provided by $5.9 million from income from operations net of non-cash charges, and a $2.6 million decrease in accounts receivable offset by a $3.2 million decrease in accounts payable and accrued expenses. The decrease in accounts receivable relates primarily to our decreased revenue in the fourth quarter of 2007 compared to the comparable period in 2006. The decrease in accounts payable is primarily due to our decreased net sales in the fourth quarter of this year as compared to 2006 and our normal cycle of payments.

Cash used in investing activities in 2007 amounted to $3.1 million, mainly the result of net purchases of available-for-sale securities. The Company purchased $21.2 million of these securities during 2007 and sold $18.6 million during 2007. These securities are highly rated and liquid. These securities are classified as available-for-sale securities in accordance with SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities", and, as a result, unrealized gains and losses are reported as part of accumulated other comprehensive income. Cash was also used in investing activities in the amount of $0.5 million for the purchase of equipment and leasehold improvements.

Net cash used in financing activities in 2007 of $2.0 million consisted of $2.7 million of dividend payments on our Common Stock and $0.9 million for the purchases of shares of our Common Stock (mainly during the third quarter of 2007), offset by $1.1 million from proceeds from the exercise of stock options and the $0.5 tax benefit realized from exercises of stock options.

In 2002, the Company's Board of Directors authorized the purchase of 1,490,000 shares of our Common Stock. In October 1999, the Company was authorized by the Board of Director's to buy back an additional 521,013 shares of our Common Stock in both open market and private transactions, as conditions warrant. A total of 1,790,762 shares of the Company's stock have been bought back to date leaving a balance of 220,251 shares of Common Stock that the Company is authorized to buy back in the future.

The repurchase program is expected to remain effective for the remainder of 2008. We intend to hold the repurchased shares in treasury for general corporate purposes, including issuances under various stock plans. As of December 31, 2007, we owned 576,002 shares of Common Stock at an average cost of $3.96 per share. As of December 31, 2006 we owned 687,879 shares of Common Stock at an average cost of $2.77 per share.

The Company's current and anticipated use of its cash and cash equivalents is, and will continue to be, to fund working capital, operational expenditures, the stock repurchase program and dividends, if any, declared by the board of directors. Our business plan furthermore contemplates to continue to use our cash to pay vendors promptly in order to obtain more favorable conditions.

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

Contractual Obligations
(Dollars in thousands)

Payment due by Period

Total

Less than 1 year

1-3 years

4-5 years

After 5 years

Long-term debt

-

-

-

-

-

Capital Lease Obligations

-

-

-

-

-

Operating Leases(1)

$1,861

$321

$1,206

$334

-

Unconditional Purchase Obligations

-

-

-

-

-

Other Long term Obligations

reflected on the Company's

Balance Sheet under GAAP

-

-

-

-

-

Total Contractual Obligations(2)

$1,861

$321

$1,206

$334

-

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

(2) In addition to the contractual obligations disclosed in this table, we have unrecognized tax benefits totaling $78,000 with respect to which, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities. As a result, such potential liabilities are not listed in this table. See Note 5 to our Consolidated Financial Statements.

The Company is not committed by lines of credit, standby letters of credit, has no standby repurchase obligations or other commercial commitments.

Foreign Exchange

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

Off- Balance Sheet Arrangements

As of December 31, 2007, we did not have any off-balance sheet arrangements, as defined in Item 303 (a)(4)(ii) of SEC Regulation S-K.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements that have been prepared in accordance with 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. The Company recognizes revenue from the sale of software and hardware for microcomputers, servers and networks upon shipment or upon electronic delivery of the product. The Company expenses the advertising costs associated with producing its catalogs. The costs of these catalogs are expensed in the same month the catalogs are mailed.

On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, income taxes, and 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. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-offs may be required. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance related to deferred tax assets, and 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. We adopted the provisions of, and accounting for stock-based compensation in accordance with, SFAS 123R during the first quarter of fiscal 2006. We elected the modified-prospective method, under which prior periods are not revised for comparative purposes. Under the fair value recognition provisions of this statement, 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, which is the vesting period. We make certain assumptions in order to value and expense our various share-based payment awards. In connection with valuing stock options, we use the Black-Scholes model, which requires us to estimate certain subjective assumptions. The key assumptions we make are: the expected volatility of our stock; the expected term of the award; and the expected forfeiture rate. In connection with our restricted stock programs we make assumptions principally related to the forfeiture rate. We review our valuation assumptions periodically and, as a result, we may change our valuation assumptions used to value stock based awards granted in future periods. Such changes may lead to a significant change in the expense we recognize in connection with share-based payments.

Item 7A Quantitative and Qualitative Disclosures about Market Risk

In addition to its activities in the United States, 12.9% of the Company's 2007 sales were generated in Canada. We are subject to general risks attendant to the conduct of business in Canada, including economic uncertainties and foreign government regulations. In addition, the Company's Canadian business is subject to changes in demand or pricing resulting from fluctuations in currency exchange rates or other factors.

The Company's $9.6 million investments in marketable securities at December 31, 2007 are only in highly rated and liquid U.S. government securities.

Item 8 Financial Statements and Supplementary Data

See Index to Consolidated Financial Statements at Item 15(a).

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A(T) Controls and procedures

Evaluation of Disclosure Controls and Procedures.

As required by Rule 13a-15(b) under the Exchange Act, our management carried out an evaluation of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" as of December 31, 2007. This evaluation was carried out under the supervision and with the participation of our management, including our Company's Chief Executive Officer and Chief Accounting Officer. As defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and

procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based upon that evaluation, the Company's Chief Executive Officer and Chief Accounting Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2007. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Management Report on Internal Control Over Financial Reporting

. Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes maintaining records in reasonable detail that accurately and fairly reflect our transactions and disposition of assets; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with GAAP; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with authorization management and directors of the Company; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that, owing to changes in conditions, controls may become inadequate, or that the degree of compliance with policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2007. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Item 9B Other Information

None.

PART III

Item 10 Directors and Executive Officers of the Registrant

This information required hereunder, with the exception of the information relating to the executive officers of the Registrant that is presented in Part I under the heading "Executive Officers of the Company," and the information relating to the Company's Code of Ethical Conduct that is presented in Part I under the heading "Available Information," is incorporated by reference herein from our Definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A not later than April 29, 2008 (the "Definitive Proxy Statement") under the sections captioned "Election of Directors," "Corporate Governance" and "Section 16 (a) Beneficial Ownership Reporting Compliance".

Item 11 Executive Compensation

The information required hereunder is incorporated by reference herein from the Definitive Proxy Statement under the sections captioned "Executive Compensation" and "Corporate Governance".

Item 12 Security Ownership of Certain Beneficial Owners and Management

The information required hereunder is incorporated by reference herein from the Definitive Proxy Statement under the sections captioned "Executive Compensation - Securities Authorized for Issuance under Equity Compensation Plans" and "Security Ownership of Certain Beneficial Owners and Management".

Item 13 Certain Relationships and Related Party Transactions, and Director Independence

The information required hereunder is incorporated by reference herein from the Definitive Proxy Statement under the sections captioned "Executive Compensation," "Corporate Governance" and "Transactions with Related Persons".

Item 14 Principal Accounting Fees and Services

The information required hereunder is incorporated by reference herein from the Definitive Proxy Statement under the section captioned " Appointment of Independent Registered Public Accounting Firm".

PART IV

Item 15 Exhibits and Financial Statement Schedules

(a)

The following documents are filed as part of this Report:

1.

Consolidated Financial Statements

(See Index to Consolidated Financial Statements on page F-1 of this report);

2.

Financial Statement Schedule

:

Schedule II Valuation and Qualifying Accounts

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or notes thereto.

3.

Exhibits Required by Regulation S-K, Item 601:

Exhibit No.

Description of Exhibit

2.1

Agreement for the Sale and Purchase of Shares, dated as of January 9, 2001 between the Company and PC-Ware Information Technologies, AG. (1)

3.1

Form of Amended and Restated Certificate of Incorporation of the Company.(2)

3.1(a)

Certificate of Amendment of Restated Certificate of Incorporation of the Company.(3)

3.2

Form of Amended and Restated By-Laws of the Company.(2)

4.1

Specimen of Common Stock Certificate.(2)

10.8

Agreement dated as of December 29, 1994, between Lifeboat Publishing and Software Garden, Inc.; License for Trademark "Dan Bricklin", dated as of December 29, 1994, between the Company and Daniel Bricklin; First Amendment to Software License Agreement and Trademark License Agreement dated March 30, 1995. (2)

10.17

1986 Stock Option Plan and Form of Employee Stock Option Agreement. (2)

10.18

1995 Stock Plan, as amended. (4)

10.19

1995 Non-Employee Director Plan, as amended. (4)

10.19(a)

2006 Stock-Based Compensation Plan. (5)

10.19(b)

First Amendment to 2006 Stock-Based Compensation Plan.

10.19(c)

Second Amendment to 2006 Stock-Based Compensation Plan.

10.20

Form of Officer and Director Indemnification Agreement. (2)

10.38

Employment Agreement dated July 15, 2002 between William Willett and the Company. (6)

10.39

First Amendment, dated as of December 16, 2003, to Employment Agreement between William Willett and the Company. (6)

10.42

Lease dated as of May 14, 1997 between Robert C. Baker, et al as Landlord and the Company. (7)

10.42(a)

Modification of Lease, dated as of July 27, 2006, between SBC Holdings, L.P. (successor in interest to Robert C. Baker, et al.) and the Company.(3)

10.43

Employment Agreement, dated January 12, 2006, between the Company and Simon F. Nynens.(8)

10.44

Description of Consulting Agreement, dated January 9, 2006, between the Company and William Willett.(9)

10.45

Offer Letter, dated January 6, 2003, from the Company to Vito Legrottaglie.(9)

10.46

Resignation Letter, dated May 16, 2007, from Wayside Technology Group, Inc. to Jeffrey Largiader.(10)

10.47

General Release, dated May 18, 2007, between Jeffrey Largiader and Wayside Technology Group, Inc.(10)

10.48

Restricted Stock Letter, dated August 15, 2006, between Vito Legrottaglie and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.)

10.49

Restricted Stock Letter, dated August 15, 2006, between Jeffrey Largiader and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.)

10.50

Restricted Stock Letter, dated August 15, 2006, between Daniel Jamieson and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.)

10.51

Restricted Stock Letter, dated August 15, 2006, between Allan Weingarten and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.)

10.52

Restricted Stock Letter, dated August 15, 2006, between Edwin Morgens and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.)

10.53

Restricted Stock Letter, dated August 15, 2006, between Duff Meyercord and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.)

10.54

Restricted Stock Letter, dated August 15, 2006, between Simon F. Nynens and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.)

10.55

Restricted Stock Letter, dated August 15, 2006, between Simon F. Nynens and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.)

10.56

Restricted Stock Letter, dated August 15, 2006, between Kevin Scull and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.)

10.57

Restricted Stock Letter, dated January 31, 2007, between William Willett and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.)

10.58

Restricted Stock Letter, dated November 19, 2007, between Richard Bevis and Wayside Technology Group, Inc. (f/k/a Programmer's Paradise, Inc.) 10.59 Form of Non-Qualified Stock Option Agreement

21.1

Subsidiaries of the Registrant

23.1

Consent of Amper, Politziner & Mattia, P.C.

31.1

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

31.2

Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Kevin T. Scull, the Chief Accounting Officer of the Company.

32.1

Certification pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Simon F. Nynens, the Chief Executive Officer of the Company.

32.2

Certification pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Kevin T. Scull, the Chief Accounting Officer of the Company.

(1)

Incorporated by reference to Annex I to the Registrant's Definitive Special Meeting Proxy Statement filed on December 1, 2000.

(2)

Incorporated by reference to exhibits of the same number filed with the Registrant's Registration Statement on Form S-1 or amendments thereto (File No. 333-92810).

(3)

Incorporated by reference to the Exhibits of the same number to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 3, 2006.

(4)

Incorporated by reference to Exhibit A and Exhibit B, respectively, to the Registrant's Definitive Annual Meeting Proxy Statement filed on April 30, 1998.

(5)

Incorporated by reference to Exhibit A of the Registrant's Definitive Annual Meeting Proxy Statement filed on April 28, 2006.

(6)

Incorporated by reference to exhibits of the same number filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 29, 2004.

(7)

Incorporated by reference to Exhibit 10.42 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998 filed on March 31, 1999.

(8)

Incorporated by reference to Exhibit 10.43 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 filed on May 12, 2006.

(9)

Incorporated by reference to exhibits of the same number filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 filed on May 15, 2007.

(10)

Incorporated by reference to exhibits of the same number filed with the Registrant's Current Report on Form 8-K filed on May 21, 2007.

(b)

The exhibits required by Item 601 of Regulation S-K are reflected above in Section (a) 3. of this Item.

(c)

The financial statement schedule is included as reflected in Section (a) 2. of this Item.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in Shrewsbury, New Jersey, on March 12, 2008.

WAYSIDE TECHNOLOGY GROUP, INC.

By:

/s/ Simon F. Nynens

Simon F. Nynens, President and

Chief Executive Officer

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

Signature

Title

Date

/s/ Simon F. Nynens

President and Chief Executive Officer and

March 12, 2008

Simon F. Nynens

Chairman of the Board of Directors (Principal Executive Officer)

/s Kevin T. Scull

Vice President and Chief Accounting Officer

March 12, 2008

Kevin T. Scull

(Principal Financial and Accounting Officer)

/s/ William H. Willett

Director

March 12, 2008

William H. Willett

/s/ Mark T. Boyer

Director

March 12, 2008

Mark. T. Boyer

/s. F. Duffield Meyercord

Director

March 12, 2008

F. Duffield Meyercord

/s Edwin H. Morgens

Director

March 12, 2008

Edwin H. Morgens

/s/ Allan D. Weingarten

Director

March 12, 2008

Allan D. Weingarten

Items 8 and 15(a)

Wayside Technology Group, Inc. and Subsidiaries

Index to Consolidated Financial Statements and Schedule

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Earnings	F-4
Consolidated Statements of Stockholders' Equity and Comprehensive Income	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7
Schedule II - Valuation and Qualifying Accounts	F-25

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Wayside Technology Group, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Wayside Technology Group, Inc. and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wayside Technology Group, Inc. and Subsidiaries as of December 31, 2007 and 2006, and the results of their earnings and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2006, the Company has changed its method of accounting for stock-based compensation.

As discussed in Note 5 to the consolidated financial statements, in 2007, the Company adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109".

We have also audited the consolidated financial statement schedule, Schedule II - Valuation and Qualifying Accounts, for each of the three years in the period ended December 31, 2007. In our opinion, this financial schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information stated therein.

March 10, 2008

Edison, New Jersey

/s/ Amper, Politziner & Mattia, P.C.

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

	December 31,	
	2006	2007
Assets		
Current assets:		
Cash and cash equivalents	$13,832	$14,241
Marketable securities	7,032	9,641
Accounts receivable, net of allowances of $946 and $908 in 2006 and 2007, respectively	28,045	24,824
Inventory, net	1,265	1,116
Prepaid expenses and other current assets	607	

	927
Deferred income taxes	
	1,632
	830
Total current assets	
	52,413
	51,579
Equipment and leasehold improvements, net	
	488
	619
Other assets	
	2,927
	3,469
Deferred income taxes	
	1,453
	1,086
	$57,281
	$56,753
Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable and accrued expenses	
	$35,304

		$32,100
Dividend payable	638	-
Total current liabilities	35,942	32,100
Other liabilities	41	161
Total liabilities	35,983	32,261
Commitments and Contingencies		
Stockholders' equity:		
Common Stock, $.01 par value; 10,000,000 shares authorized; 5,284,500 shares issued; and 4,596,621 and 4,708,498 shares outstanding in 2006 and 2007, respectively	53	53
Additional paid-in capital	29,252	28,860

Treasury stock, at cost, 687,879 and 576,002 shares in 2006 and 2007, respectively	(1,905)	(2,283)
Accumulated deficit	(6,302)	(2,599)
Accumulated other comprehensive income	200	461
Total stockholders' equity	21,298	24,492
	$57,281	$56,753

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

Wayside Technology Group, Inc. and Subsidiaries
Consolidated Statements of Earnings
(Dollars in thousands, except per share amounts)

	Year ended December 31		
	2005	2006	2007
Net sales	$137,655	$182,319	$179,865
Cost of sales	122,685	165,350	162,630
Gross profit	14,970	16,969	17,235
Selling, general and administrative expenses	12,203		

	12,163	12,081	
Income from operations	2,767	4,806	5,154
Other income (expense):			
Interest income	313	738	989
Foreign currency transaction gain (loss)	(13)	3	2
Income before provision for income taxes	3,067	5,547	6,145
Provision for income taxes	414		

	2,279	2,442	
Net income	$2,653	$3,268	$3,703
Income per common share-Basic	$0.67	$0.78	$0.84
Income per common share-Diluted	$0.61	$0.72	$0.80
Weighted average common shares outstanding-Basic	3,976	4,191	4,406
Weighted average common shares outstanding-Diluted	4,384	4,521	4,656

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

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

Accumulated

Additional

Other

Common Stock

Paid-In

Treasury

Accumulated

Comprehensive

Shares

Amount

Capital

Shares

Amount

Deficit

Income

Total

Balance at January 1, 2005

5,284,500

$53

$32,642

1,418,090

$(4,130)

$(12,223)

$153

$16,495

Net income

2,653

2,653

Other comprehensive income:

Translation adjustment

22

22

Unrealized gain on available-for-sale securities

12

12

Comprehensive income

2,687

Dividends paid

	(1,433)
	(1,433)
Dividends declared payable	
	(519)
	(519)
Exercise of stock options	
	(128,425)
	510
	510
Tax benefit from exercises of non-qualified stock options	
	258
	258
Balance at December 31, 2005	
	5,284,500
	53
	30,948
	1,289,665

	(3,620)
	(9,570)
	187
	17,998
Net income	
	3,268
	3,268
Other compreh	