Wayside Technology Group, Inc.
Form DEF 14A
April 24, 2012

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

WAYSIDE TECHNOLOGY GROUP, INC.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

o Fee paid previously with preliminary materials.

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

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

WAYSIDE TECHNOLOGY GROUP, INC.

1157 Shrewsbury Avenue

Shrewsbury, New Jersey 07702

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 6, 2012

To our Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders (the Meeting) of Wayside Technology Group, Inc. (the Company) will be held at Morgens, Waterfall, Vintiadis & Company, Inc., 600 Fifth Avenue, 27th Floor, New York, New York, on June 6, 2012 at 10:00 AM, local time, for the following purposes, which are more fully described in the proxy statement:

1. To elect seven directors to the Company s Board of Directors, to serve until the next annual meeting of stockholders and until their successors are elected and qualified;

2. To approve the Company s 2012 Stock-Based Compensation Plan (the Stock Plan) and the allocation of 600,000 shares of our common stock reserved for issuance under the Stock Plan;

3. To approve the Company s 2012 Executive Incentive Plan (the Executive Plan) to permit the payment of awards that qualify as deductible performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended;

4. To ratify the appointment of EisnerAmper LLP as the Company s independent registered public accounting firm for 2012; and

5. To consider and take action upon such other matters as may properly come before the Meeting and any adjournment or postponement thereof.

The close of business on April 9, 2012 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting and any adjournment or postponement thereof. Commencing 10 days prior to the Meeting, a complete list of stockholders will be open to the examination of any stockholder for any purpose germane to the Meeting, during ordinary business hours, at the Company s headquarters, 1157 Shrewsbury Avenue, Shrewsbury, New Jersey. A complete list of stockholders will also be open to the examination of any stockholder at the Meeting. The transfer books of the Company will not be closed.

All stockholders are cordially invited to attend the Meeting. Whether or not you expect to attend, you are respectfully requested to fill in, sign, date and return the enclosed proxy promptly in the accompanying envelope, which requires no postage if mailed in the United States.

A copy of the Company s Annual Report for the fiscal year ended December 31, 2011 is enclosed herewith.

By Order of the Board of Directors,

Simon F. Nynens,
Chairman

April 23, 2012

Every stockholder vote is important and we encourage you to vote promptly. To assure that your shares are represented at the annual meeting, please vote your shares by completing, dating and signing the enclosed proxy and mailing it promptly in the postage-paid envelope provided, whether or not you plan to attend the meeting. Instructions regarding submitting a proxy are contained on the proxy card. You may revoke your proxy at any time before it is voted.

WAYSIDE TECHNOLOGY GROUP, INC.

1157 Shrewsbury Avenue

Shrewsbury, New Jersey 07702

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors (the Board of Directors or the Board) of Wayside Technology Group, Inc. (the Company) of proxies to be voted at the Annual Meeting of Stockholders (the Meeting) to be held at Morgens, Waterfall, Vintiadis & Company, Inc., 600 Fifth Avenue, 27th Floor, New York, New York, on June 6, 2012 at 10:00 AM, local time, and at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. Any stockholder giving such a proxy may revoke it at any time before it is exercised by written notice to the Corporate Secretary of the Company at the above-stated address or by giving a later dated proxy. Attendance at the Meeting will not have the effect of revoking the proxy unless such written notice is given, or unless the stockholder votes by ballot at the Meeting.

The approximate date on which this proxy statement and the accompanying form of proxy will first be sent or given to the Company s stockholders is April 23, 2012.

VOTING SECURITIES

Only holders of shares of the Company s Common Stock, $.01 par value per share (Common Stock), of record at the close of business on April 9, 2012 are entitled to vote at the Meeting. On April 9, 2012 (the Record Date), 4,670,985 shares of Common Stock were issued and outstanding. In addition, on that date, 613,515 shares were held in treasury by the Company and deemed issued but not outstanding. Each outstanding share of Common Stock entitles the holder thereof to one vote upon all matters to be acted upon at the Meeting. The presence in person or by proxy of holders of a majority in interest of the outstanding shares of Common Stock entitled to vote at the Meeting shall constitute a quorum. The affirmative vote of a plurality of the shares of Common Stock present in person or represented by proxy entitled to vote at the Meeting is necessary to elect the nominees for election as Directors. Accordingly, shares not voted in the election of Directors (including shares covered by a proxy as to which authority is withheld to vote for all nominees) and shares not voted for any particular nominee (including shares covered by a proxy as to which authority is withheld to vote for only one or less than all of the identified nominees) will not prevent the election of any of the nominees for Director. To approve the Company s 2012 Stock-Based Compensation Plan (the Stock Plan), the Company s 2012 Executive Incentive Plan (the Executive Plan), and to ratify the appointment of EisnerAmper LLP as the Company s independent registered public accounting firm for 2012, and for all other matters, if any, submitted to stockholders at the Meeting, if a quorum is present, the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at the Meeting and entitled to vote is required for approval. As a result, abstention votes will have the effect of a vote against such matters. Abstentions and broker non-votes with respect to approval of the Stock Plan, approval of the Executive Plan and the ratification of the appointment of EisnerAmper LLP as the Company s independent registered public accounting firm for 2012 are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Meeting. Broker non-votes are not counted for any purpose in determining whether a matter has been approved.

If the enclosed proxy is properly executed and returned, the Common Stock represented thereby will be voted in accordance with the instructions thereon. If no instructions are indicated, the Common Stock represented thereby will be voted FOR the election of each of the nominees set forth under the caption Election of Directors , FOR the approval of the Stock Plan, FOR the approval of the Executive Plan and FOR the ratification of the Company s independent registered public accounting firm and, in the discretion of the persons named in the proxies as proxy appointees, as to any other matter that may properly come before the Meeting.

Your vote is important. Accordingly, you are urged to fill in, sign, date and return the accompanying proxy card whether or not you plan to attend the Meeting. If you do attend, you may vote by ballot at the Meeting, thereby canceling any proxy previously given.

CORPORATE GOVERNANCE

Role of the Board of Directors

In accordance with the General Corporation Law of the State of Delaware and our certificate of incorporation and bylaws, our business, property and affairs are managed under the direction of the Board of Directors. Although our non-employee Directors are not involved in our day-to-day operating details, they are kept informed of our business through written reports and documents provided to them regularly, as well as by operating, financial and other reports presented by our officers at meetings of the Board of Directors and committees of the Board of Directors.

Board Leadership Structure

Simon F. Nynens is currently the Chairman of our Board of Directors and our Chief Executive Officer. Our Board believes that this leadership structure provides the most efficient and effective leadership model for our Company by enhancing the ability of the Chairman and Chief Executive Officer to provide clear insight and direction of business strategies and plans to both the Board of Directors and management. The Board of Directors believes that it can most effectively perform its monitoring and oversight role by acting as a unified whole, with the Chairman also being a member of the management team, and that the advantages of having a CEO Chairman with extensive knowledge of our company (as compared to a relatively less informed independent Chairman) outweigh potential disadvantages.

Another key component of our leadership structure is our strong governance practices designed to ensure that the Board of Directors effectively carries out its responsibility for the oversight of management. The majority of our directors are independent, and all Board committees are comprised entirely of independent directors. We do not have a lead independent director. Non-management directors meet at each Board meeting in regularly scheduled executive sessions and may schedule additional executive sessions as appropriate. Members of management do not attend these executive sessions. The Board has full access to the management team at all times. In addition, the Board or any committee thereof may retain, on such terms as determined by the Board or such committee, as applicable, in its sole discretion, independent legal, financial and other consultants and advisors to assist the Board or committee, as applicable, in discharging its oversight responsibilities.

Board Oversight of Risk Management

Our Board believes that overseeing how management manages the various risks we face is one of its most important responsibilities to the Company s stakeholders. The Board believes that, in light of the interrelated nature of the Company s risks, oversight of risk management is the responsibility of the full Board. In carrying out this critical responsibility, the Board meets at least annually with key members of management with primary responsibility for management of risk in their respective areas of responsibility.

Meetings of the Board of Directors

The Board of Directors met six times in 2011. Each of the Directors attended at least 75% of all meetings held by the Board of Directors and meetings of each committee of the Board of Directors on which such Director served during 2011.

Communication with the Board of Directors; Director Attendance at Annual Meetings

Stockholders may communicate with a member or members of the Board of Directors by addressing their correspondence to the Board member or members c/o the Corporate Secretary, Wayside Technology Group, Inc., 1157 Shrewsbury Avenue, Shrewsbury, NJ 07702. Our Corporate Secretary will review the correspondence and forward it to the chair of the appropriate committee or to any individual Director or Directors to whom the communication is directed, unless the communication is unduly hostile, threatening and illegal, does not reasonably relate to Wayside Technology Group, Inc., or our business, or is similarly inappropriate. Our Corporate Secretary has the authority to discard or disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications.

Recognizing that Director attendance at our annual meetings can provide our stockholders with a valuable opportunity to communicate with Board members about issues affecting our Company, we encourage our Directors to attend each annual meeting of stockholders. All Board members attended last year s annual stockholders meeting.

Director Independence

The Board of Directors has determined that the following Directors are independent under the Nasdaq listing standards: Messrs. Boyer, Faith, Meyercord, Morgens, Weingarten and Willett.

Committees of the Board of Directors

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee.

Audit Committee. The Board of Directors has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee: (i) monitors the integrity of the Company s financial statements, financial reporting process and internal controls regarding finance, accounting and legal compliance; monitors the independence and performance of our independent registered public accounting firm; (ii) provides an avenue of communication among the independent registered public accounting firm, management (including internal audit) and our Board of Directors; and (iii) monitors significant litigation and financial risk exposure. The current members of the Audit Committee are Messrs. Weingarten (Chairman), Meyercord and Willett, each of whom is independent as defined by the Nasdaq listing standards and applicable SEC rules. The Board of Directors has determined that Mr. Weingarten meets the criteria as an audit committee financial expert as defined in applicable SEC rules. The Audit Committee met six times during 2011.

The Audit Committee operates under a written charter adopted by the Board of Directors. A copy of the charter is available on our website at http://www.waysidetechnology.com/content.aspx?name=content_auditcharter in the Corporate Governance relations section. The report of the Audit Committee is on page 30 of this proxy statement.

Compensation Committee. The Board of Directors has a Compensation Committee which: (i) reviews and monitors matters related to management development and succession; (ii) develops and implements executive compensation policies and pay for performance criteria for the Company; (iii) reviews and approves the initial and annual base salaries, annual incentive bonus and all long-term incentive awards of our Chief Executive Officer; (iv) reviews and approves such compensation arrangements for all executive officers and certain other key employees; (v) approves stock-related incentives under our stock incentive and executive compensation plans, and exercises all powers of the Board of Directors under those plans other than the power to amend or terminate those plans and other than with respect to non-employee directors, which determinations are subject to Board approval; (vi) reviews and approves material matters concerning our employee compensation and benefit plans; and (vii) carries out such responsibilities as have been delegated to it under various compensation and benefit plans and such other responsibilities with respect to our compensation matters as may be referred to it by our Board of Directors or management. Under its charter, the Compensation Committee may form and delegate authority to subcommittees or, to the extent permitted under applicable laws, regulations and Nasdaq rules, to any other independent director, in each case to the extent the Compensation Committee deems necessary or appropriate. The Compensation Committee has the right to consult with or obtain input from management but, except as expressly provided in its charter, may not delegate any of its responsibilities to management. The current members of the Compensation Committee are Messrs. Meyercord (Chairman) and Morgens, each of whom is independent as defined by the Nasdaq listing standards. The Compensation Committee met one time during 2011.

The Compensation Committee operates under a written charter adopted by the Board of Directors, a copy of which is available on our website at http://www.waysidetechnology.com/content.aspx?name=content_compcharter in the Corporate Governance section. The report of the

Compensation Committee is on page 30 of this proxy statement.

Nominating and Governance Committee. The Board of Directors has a Nominating and Governance Committee which identifies individuals qualified to become Board members and recommends to the Board director nominees for election at the next Annual Meeting of Stockholders. Currently, the members of the Nominating and Governance Committee are Messrs. Boyer (Chairman), Willett and Weingarten, each of whom is independent as defined by the Nasdaq listing standards. The Nominating and Governance Committee met once during 2011. The Nominating and Governance Committee operates under a written charter adopted by the Board of Directors. The Nominating and Governance Committee charter is available in the Corporate Governance section of our website at http://www.waysidetechnology.com/content.aspx?name=content_nomincharter.

Director Nominations

The Nominating and Governance Committee will consider recommendations for directorships submitted by our stockholders. Stockholders who wish the Nominating and Governance Committee to consider their recommendations for nominees for the position of Director should submit their recommendations, in accordance with the procedures set forth below, in writing to: Corporate Secretary, Wayside Technology Group, Inc., 1157 Shrewsbury Avenue, Shrewsbury, NJ 07702. In order to be considered for inclusion in the proxy statement and form of proxy for the annual meeting of stockholders to be held in 2013, the stockholder s notice must be received by our Company not less than 120 days nor more than 150 days before the first anniversary of the date of this proxy statement.

For nominations, such stockholder s notice shall set forth as to each person whom the stockholder proposes to nominate for election as a Director: (A) the name, age, business address and residential address of such person; (B) the principal occupation or employment of such person; (C) the class and number of shares of stock of our Company that are beneficially owned by such person; (D) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors or is otherwise required by the rules and regulations of the SEC promulgated under the Exchange Act; and (E) the written consent of the nominee to be named in the proxy statement as a nominee and to serve as a Director if elected. In addition, as to the stockholder giving the notice, such notice shall state: (A) the name, business address, and residential address, as they appear on our stock transfer books, of the nominating stockholder; (B) a representation that the nominating stockholder is a stockholder of record and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (C) the class and number of shares of stock of our Company beneficially owned by the nominating stockholder; and (D) a description of all arrangements or understandings between the nominating stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the nominating stockholder.

In its assessment of each potential candidate, the Nominating and Governance Committee will review the nominee s professional ethics, integrity and values, skills, judgment, experience, independence, commitment to representing the long-term interests of the stockholders, understanding of our Company s or other related industries and such other factors as the Nominating and Governance Committee determines are pertinent in light of the current needs of the Board of Directors. The Nominating and Governance Committee seeks to identify candidates representing diverse experiences at policy-making levels in business, management, marketing, finance, human resources, communications and in other areas that are relevant to our activities. The Nominating and Governance Committee will also take into account the ability of a Director to devote the time and effort necessary to fulfill his or her responsibilities to our Company. After full consideration, the stockholder proponent will be notified of the decision of the Nominating and Governance Committee.

Nominees may also be recommended by Directors, members of management, or, in some cases, by a third party firm. In identifying and considering candidates for nomination to the Board, the Nominating and Governance Committee considers, in addition to the requirements described above and set out in its charter, quality of experience, our needs and the range of knowledge, experience and diversity represented on the Board. Each Director candidate will be evaluated by the Nominating and Governance Committee based on the same criteria and in the same manner, regardless of whether the candidate was recommended by a Company stockholder or by others. The Nominating and Governance Committee will conduct the appropriate and necessary inquiries with respect to the backgrounds and qualifications of all Director nominees. The Nominating and Governance Committee will also review the independence of each candidate and other qualifications of all Director candidates, as well as consider questions of possible conflicts of interest between Director nominees and our Company.

After the nominating and governance committee has completed its review of a nominee s qualifications and conducted the appropriate inquiries, the Nominating and Governance Committee will make a determination whether to recommend the nominee for approval by the Board of Directors. If the Nominating and Governance Committee decides to recommend the director nominee for nomination by the Board of Directors and such recommendation is accepted by the Board, the form of our proxy solicited will include the name of the director nominee.

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Director Compensation and Arrangements

The following table sets forth information regarding the compensation earned by or awarded to each Director who is not a Named Executive Officer who served on the Company s Board of Directors for the fiscal year ended December 31, 2011.

Name	Fees Earned or Paid In Cash ($)	Stock Awards ($) (1)	All Other Compensation ($) (2)	Total ($)
Mark T. Boyer (3)	23,000	15,513	1,344	39,857
F. Duffield Meyercord (4)	33,000	15,513	1,344	49,857
Edwin H. Morgens (5)	21,000	15,513	1,344	37,857
Allan D. Weingarten (6)	39,000	15,513	1,344	55,857
William Willett (7)	28,000	23,868	1,584	53,452
Mike Faith	18,000			18,000

(1) The amount included in Stock Awards is the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 (formerly FAS 123R).

(2) The amount included in All Other Compensation represents dividends that the Company paid to the directors in 2011 on the unvested portion of their restricted stock awards.

(3) At December 31, 2011, Mr. Boyer had 1,700 shares of unvested restricted common stock and 31,375 options outstanding pursuant to the 1995 Director Plan (defined below).

(4) At December 31, 2011, Mr. Meyercord had 1,700 shares of unvested restricted common stock and 31,375 options outstanding pursuant to the 1995 Director Plan.

(5) At December 31, 2011, Mr. Morgens had 1,700 shares of unvested restricted common stock and 31,375 options outstanding pursuant to the 1995 Director Plan.

(6) At December 31, 2011, Mr. Weingarten had 1,700 shares of unvested restricted common stock and 31,375 options outstanding pursuant to the 1995 Director Plan.

(7) At December 31, 2011, Mr. Willett had 1,700 shares of unvested restricted common stock and 14,320 options outstanding pursuant to the 1995 Stock Plan.

Each outside Director (i.e., non-employee) receives $4,000 per quarter for serving on the Board, an additional $1,000 per meeting of the Board of Directors, $1,000 per Audit Committee meeting, $1,000 per Nominating and Governance Committee meeting, and $500 per Compensation Committee meeting, as well as reimbursement for reasonable expenses incurred in connection with service as a Director. The Chair of the Audit Committee receives an annual fee of $10,000. The Chair of the Compensation Committee receives an annual fee of $5,000. The Directors that are our employees receive no fees for serving on the Board of Directors.

Code of Business Conduct and Ethics

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/content.aspx?name=content_ethics. The Company endeavors 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.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Common Stock as of April 9, 2012 by (i) each person who, to the knowledge of the Company, beneficially owns more than 5% of the outstanding Common Stock of the Company, (ii) each of the Directors (including the nominees for Director), (iii) the Company s Chief Executive Officer during 2011 (including each person serving as the Company s principal executive officer during any part of 2011), the Company s principal financial officer during 2011 (including each person serving as the Company s principal financial officer during any part of 2011) and each of the three other most highly compensated executive officers of the Company who were serving as such as of December 31, 2011 (collectively, the Named Executive Officers), and (iv) all Directors and executive officers of the Company as a group. Except as indicated, each person listed below has sole voting and investment power with respect to the shares set forth opposite such person s name.

Name	**Number of Shares Beneficially Owned**	**Percent**
Directors (including all nominees) and Named Executive Officers		
Mark T. Boyer (1)	405,293	8.6%
Simon F. Nynens (2)	368,934	7.7%
Edwin H. Morgens (3)	211,482	4.5%
F. Duffield Meyercord (4)	85,875	1.8%
Dan Jamieson (5)	72,276	1.5%
Vito Legrottaglie (6)	56,088	1.2%
Allan D. Weingarten (7)	42,875	*
William H. Willett (8)	33,820	*
Kevin Scull (9)	27,166	*
Richard Bevis (10)	25,431	*
Shawn Giordano (11)	10,028	*
Mike Faith (12)	4,000	*
All Directors and executive officers as a group (12 persons) (13)	**1,343,268**	**26.8%**
Beneficial owners of 5% of Common Stock		
Eagle Asset Management, Inc. (14)	372,403	8.0%
Edmund H. Shea, Jr.; Mary Shea; and E&M RP Trust (15)	275,877	5.9%
ROI Master Fund, Ltd. (16)	267,568	5.7%
J. Steven Emerson (17)	262,951	5.6%

* Less than one percent

To the Company s knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has beneficial ownership with respect to the shares set forth opposite such person s name. Unless otherwise noted below, the information as to beneficial ownership is based upon statements furnished to the Company by the beneficial owners. For purposes of computing the percentage of outstanding shares held by each person named above, pursuant to the rules of the Securities and Exchange Commission (SEC), any security that such person has the right to acquire within 60 days of the date of calculation is deemed to be outstanding, but such security is not deemed to be outstanding for purposes of computing the percentage ownership of any other person.

The address for each Director and executive officer of the Company is c/o Wayside Technology Group, Inc., 1157 Shrewsbury Avenue, Shrewsbury, New Jersey 07702.

(1) Beneficial ownership information is based upon information provided by ROI Master Fund, Ltd. (ROI) and Mr. Boyer. By virtue of Mr. Boyer s ownership interest in ROI, Mr. Boyer may be deemed to beneficially own the 267,568 shares beneficially owned by ROI. See footnote 16 below. Mr. Boyer beneficially owns directly 104,875 shares, including 31,375 shares of Common Stock that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days following April 9, 2012 and 1,475 shares of unvested restricted stock. Mr. Boyer is a member of our Board of Directors.

(2) Includes 114,320 shares of Common Stock that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days following April 9, 2012 and 136,250 shares of unvested restricted stock. Mr. Nynens is Chairman of our Board of Directors and our President and Chief Executive Officer.

(3) Includes 20,000 shares of Common Stock held by a trust for the benefit of Mr. Morgens daughter, with respect to which Mr. Morgens disclaims beneficial ownership, 31,375 shares of Common Stock that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days following April 9, 2012 and 1,475 shares of unvested restricted stock. Mr. Morgens is a member of our Board of Directors.

(4) Includes 31,375 shares of Common Stock that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days following April 9, 2012 and 1,475 shares of unvested restricted stock. Mr. Meyercord is a member of our Board of Directors.

(5) Includes 45,000 shares of Common Stock that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days following April 9, 2012 and 10,250 shares of unvested restricted stock. Mr. Jamieson is Vice President and General Manager of Lifeboat Distribution (Lifeboat).

(6) Includes 35,000 shares of Common Stock that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days following April 9, 2012 and 10,250 shares of unvested restricted stock. Mr. Legrottaglie is our Vice President of Operations.

(7) Includes 31,375 shares of Common Stock that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days following April 9, 2012 and 1,475 shares of unvested restricted stock. Mr. Weingarten is a member of our Board of Directors.

(8) Includes 14,320 shares of Common Stock that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days following April 9, 2012 and 1,475 shares of unvested restricted stock. Mr. Willett is a member of our Board of Directors.

(9) Includes 10,250 shares of unvested restricted stock. Mr. Scull is our Vice President and Chief Accounting Officer.

(10) Includes 11,250 shares of unvested restricted stock. Mr. Bevis is our Vice President of Marketing.

(11) Includes 10,000 shares of unvested restricted stock. Mr. Giordano is Vice President of Sales.

(12) Includes 2,000 shares of Common Stock held by a trust, over which Mr. Faith is a custodian, for the benefit of his children and 2,000 shares held in an Individual Retirement Account. Mr. Faith is a member of our Board of Directors.

(13) Includes 334,140 shares of Common Stock that may be acquired upon the exercise of options that are currently exercisable or will become exercisable within 60 days following April 9, 2012 and 195,625 shares of unvested restricted stock.

(14) Based solely on information provided by Eagle Asset Management, Inc. in a Schedule 13G/A filed with the SEC on January 19, 2012. The address of Eagle Asset Management, Inc. is 880 Carillon Parkway, St. Petersburg, FL 33716.

(15) Based solely on information provided by Edmund H. Shea, Jr., Mary Shea and E&M RP Trust in a Schedule 13G filed with the SEC on November 29, 2007. The address for Edmund H. Shea, Jr., Mary Shea and E&M RP Trust is 655 Brea Canyon Road, Walnut, CA 91789.

(16) Based solely on information provided by ROI in a Schedule 13G/A filed with the SEC on March 7, 2006. The address for ROI is 300 Drakes Landing Road, Suite 175, Greenbrae, CA 94904.

(17) Based solely on information provided by Emerson Partners and J. Steven Emerson in a Schedule 13G/A filed with the SEC on November 17, 2005. The address of J. Steven Emerson is 1522 Ensley Avenue, Century City, CA 90024. Includes 25,151 shares of Common

Stock owned by Emerson Partners, over which Mr. Emerson exercises voting and dispositive powers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) under the Exchange Act requires the Company s officers and Directors and holders of more than ten percent of the Company s outstanding shares of Common Stock to file reports of ownership and changes in ownership with the SEC and to furnish the Company with copies of these reports. Based solely upon a review of such reports, or on written representations from certain reporting persons that no reports were required for such persons, the Company believes that during 2011 all required events of its officers, Directors and 10% stockholders required to be so reported, were timely filed.

PROPOSAL 1

ELECTION OF DIRECTORS

At the Meeting, seven Directors will be elected by the stockholders to serve until the next annual meeting or until their successors are elected and qualified. The accompanying proxy will be voted for the election as Directors of the nominees listed below, all of whom are currently Directors of the Company, unless the proxy contains contrary instructions. Each of the nominees has consented to be named in this proxy statement and to serve as a Director upon election, and management has no reason to believe that any of the nominees will not be a candidate or will be unable to serve as a Director. However, in the event that any of the nominees should become unable or unwilling to serve as a Director, the proxy will be voted for the election of such person or persons as shall be designated by the Directors.

Set forth below is certain information, as of April 9, 2012, with respect to each nominee:

Name	Age	Principal Occupation and Experience, Qualifications, Attributes or Skills	Director Since
Simon F. Nynens	40	Mr. Nynens was appointed our President and Chief Executive Officer and elected to our Board in January 2006. In June 2006, Mr. Nynens was appointed Chairman of the Board. He previously held the positions of Executive Vice President and Chief Financial Officer from June 2004 to January 2006, and Vice President and Chief Financial Officer from January 2002 to June 2004. Prior to that appointment he served as the Vice President and Chief Operating Officer of the Company s European operations. The Board believes that Mr. Nynens qualifications to serve as a Board member include his 13 years of service with the Company, and his previous leadership positions in operations, sales and finance.	January 2006
William H. Willett	75	Mr. Willett has served as a Director of the Company since December 1996. Mr. Willett served as Chairman of the Board from July 1998 to July 2006. Mr. Willett also served as President and Chief Executive Officer of the Company from July 1998 to January 2006. The Board believes that Mr. Willett s qualifications to serve on the Board of Directors include his experience as the former CEO of the Company, his knowledge of the industry and key contacts within the industry.	December 1996
F. Duffield Meyercord	65	Mr. Meyercord has served as a Director of the Company since December 1991. Mr. Meyercord has been a Managing Partner of Carl Marks Advisory Group, LLC in New York since 1996. He is also the President and founder of Meyercord Advisors, Inc., a consulting firm offering financial and operational assistance to corporations. Mr. Meyercord currently serves as a Director of the Peapack Gladstone Bank and Headway Corporate Resources. The Board believes that Mr. Meyercord s qualifications to serve on the Board include his 35 years experience in directing strategic projects and providing operation advisory services to numerous businesses.	December 1991
Edwin H. Morgens	70	Mr. Morgens was a founder of the Company and has served as a Director of the Company since May 1982. Mr. Morgens is and has been the Chairman and co-founder of Morgens, Waterfall, Vintiadis & Co. Inc., an investment firm in New York, New York, since 1968. The Board believes that Mr. Morgens is qualified to serve on the Board as he provides valuable insight to the Board from a managerial and entrepreneurial perspective, which he gained during his extensive experience in the investment industry.	May 1982

Allan D. Weingarten	74	Mr. Weingarten has served as a Director of the Company since April 1997. From January 2001, until retiring in December 2003, Mr. Weingarten was the Senior Vice President and Treasurer of Jacuzzi Brands, Inc. (formerly known as U.S. Industries, Inc.). Prior to joining Jacuzzi Brands, Inc., from 1995 to 2000, Mr. Weingarten was a business consultant for manufacturing, service and telecommunications companies. From 1972 to 1995, Mr. Weingarten was a partner at Ernst & Young LLP. In addition, Mr. Weingarten was a director of Tigrent Corporation (formerly Whitney Information Network, Inc.), a public company, from April 2009 to September 2009. Mr. Weingarten also served on the Board of Directors of AXS-One Inc., a public company, from October 2000 until February 2009. The Board believes that Mr. Weingarten s qualifications to serve on the Board include his wealth of accounting and financial knowledge, as well as his public company and industry-specific experience.	April 1997
Mark T. Boyer	54	Mr. Boyer has served as a Director of the Company since April 2001. Mr. Boyer is and has been the President and a Director of ROI Capital Management in Greenbrae, California since 1992. The Board believes that Mr. Boyer s qualifications to serve on the Board include his decades of experience investing in and advising technology Companies.	April 2001
Mike Faith	47	Mr. Faith has served as a Director of the Company since April 2011. Mr. Faith is the founder and Chief Executive Officer of Headsets.com in San Francisco, California since 1997. The Board believes that Mr. Faith s qualifications to serve on the Board, including his entrepreneurial thinking and direct marketing expertise, will make him a valuable addition to the Board.	April 2011

All Directors hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified. Officers serve at the discretion of the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE NOMINATED DIRECTORS.

EQUITY COMPENSATION PLAN INFORMATION

Stock Plans

2006 Plan. The Company s 2006 Stock-Based Compensation Plan (the 2006 Plan) has been established by the Company to: (i) attract and retain skilled employees and directors; (ii) motivate participants, by means of appropriate incentives, to achieve long-range goals; and (iii) link participants interests with those of the Company s stockholders through compensation that is based on the Common Stock, and thereby promote the continued growth and financial success of the Company. At the annual stockholder s meeting held on June 14, 2006, the Company s stockholders approved the 2006 Plan. The 2006 Plan authorizes the grant of Stock Options, Stock Units, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses, and other equity-based awards. The number of shares of Common Stock initially available under the 2006 Plan is 800,000. The number of shares of Common Stock available for future award grants to employees and directors under this plan is 122,250.

In August of 2006, the Company granted a total of 315,000 shares of restricted common stock to officers, directors and employees. Included in this grant were 200,000 restricted shares granted to the Company s CEO in accordance with his employment agreement. These 200,000 restricted shares vest in equal installments over 120 months. The remaining shares granted vest in equal installments over 60 months.

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

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

During 2009, the Company granted a total of 140,000 shares of restricted stock to officers, directors and employees. These shares vest in equal installments over 60 months.

During 2010, the Company granted a total of 150,500 shares of restricted stock to officers and employees. These shares vest in equal installments over 60 months. A total of 5,875 shares of restricted common stock were forfeited as a result of employees and officers terminating employment with the Company.

During 2011, the Company granted a total of 15,000 shares of restricted stock to employees. These shares vest over 60 months. A total of 8,375 shares of restricted common stock were forfeited as a result of employees terminating employment with the Company.

1995 Stock Plan. The purpose of the Company s 1995 Stock Plan (the 1995 Stock Plan) was to provide incentives to officers, Directors, employees and consultants of the Company. Under the 1995 Stock Plan, officers and employees of the Company and any present or future subsidiary are provided with opportunities to purchase shares of Common Stock of the Company pursuant to options which may qualify as ISOs, or which do not qualify as ISOs (Non-Qualified Options and together with ISOs, Options) and, in addition, such persons may be granted awards of stock in the Company (Awards) and opportunities to make direct purchases of stock in the Company (Purchases and together with Options and Awards, Stock Rights). The 1995 Stock Plan contains terms and conditions relating to ISOs necessary to comply with the provisions of Section 422 of the Code.

The 1995 Stock Plan authorized the grant of Stock Rights to acquire up to 1,137,500 shares of Common Stock. As of April 9, 2012, a total of 360,640 shares of Common Stock are subject to outstanding Options under the 1995 Stock Plan at exercise prices ranging from $2.13 to $12.85 per share. The 1995 Stock Plan expired and terminated on April 21, 2005 (except as to Options outstanding on that date) and no more grants may be made under the 1995 Stock Plan. The 1995 Stock Plan requires that each Option shall expire on the date specified by the Compensation Committee, but not more than ten years from its date of grant in the case of ISOs and ten years and one day in the case of Non-Qualified Options. However, in the case of any ISO granted to an employee or officer owning more than 10% of the total combined voting power of all classes of stock of the Company or any present or future subsidiary, the ISO expires no more than five years from its date of grant.

1995 Non-Employee Director Plan. The purpose of the Company s 1995 Non-Employee Director Plan (the 1995 Director Plan) was to promote the interests of the Company by providing an inducement to obtain and retain the services of qualified persons who are not employees or officers of the Company to serve as members of its Board of Directors (Outside Directors). The 1995 Director Plan authorized the grant of options for up to 187,500 shares of Common Stock and provided for automatic grants of nonqualified stock options to Outside Directors.

Under the 1995 Director Plan, each then-current Outside Director has received, and each Outside Director who first joined the Board after April 1995 automatically received at that time, options to purchase 18,750 shares of Common Stock. As of April 9, 2012, a total of 13,500 shares of Common Stock are subject to outstanding Options under the 1995 Non-Employee Director Stock Plan at exercise prices ranging from $2.13 to $3.85 per share. All options granted to Outside Directors have an exercise price equal to 100% of the fair market value on the date of grant. The 1995 Director Plan requires that options granted thereunder will expire on the date which is ten years from the date of grant. Each option granted under the 1995 Director Plan becomes exercisable over a five-year period, and vests in an installment of 20% of the total option grant upon the expiration of one year from the date of the option grant, and thereafter vests in equal quarterly installments of 5%. The 1995 Director Plan expired and was terminated on April 21, 2005 (except as to Options outstanding on that date) and no more grants may be made under the 1995 Director Plan.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table sets forth information, as of December 31, 2011, regarding securities authorized for issuance upon the exercise of stock options under all of the Company s equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options	(b) Weighted Average Exercise Price of Outstanding Options	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Stockholders (1)	636,145	$ 9.20	122,250
Total	636,145	$ 9.20	122,250

(1) Includes the 1995 Stock Plan, the 1995 Director Plan and the 2006 Plan. See Stock Plans above in this proxy statement.

OTHER EMPLOYEE BENEFIT PLANS

The Company provides all employees, including executive officers, with group medical, dental and disability insurance on a non-discriminatory basis. Employees are required to contribute approximately 20% of the premium costs of such policies. The Company has a 401(k) savings and investment plan intended to qualify under Section 401(a) of the Internal Revenue Code (the Code), for our domestic employees, which permits employee salary reductions for tax-deferred savings purposes pursuant to Section 401(k) of the Code. The Company matches 50% of domestic employee contributions up to the first 6% of compensation. The Company s total contributions for 2011 were approximately $147,000.

As described in more detail below under Base Salary and Performance Bonus Plan , in recent years the Company has maintained annual performance bonus plans for our senior executives which provide for a bonus in the event certain performance targets, usually based upon operating profitability and contribution margin, are achieved, and also provide for additional incentive bonuses based upon pre-established metrics.

EXECUTIVES AND EXECUTIVE COMPENSATION

Our Executives

Set forth below are the name, age, present title, principal occupation and certain biographical information for our executive officers as of April 9, 2012, all of whom have been appointed by and serve at the discretion of our Board of Directors.

Name	Age	Position
Simon F. Nynens	40	Chairman, President and Chief Executive Officer
Richard J. Bevis	62	Vice President Marketing
Daniel T. Jamieson	54	Vice President and General Manager-Lifeboat
Vito Legrottaglie	47	Vice President Operations
Kevin T. Scull	46	Vice President and Chief Accounting Officer
Shawn J. Giordano	42	Vice President Sales

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 (June 2004 - January 2006) and Vice President and Chief Financial Officer (January 2002 - June 2004). 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., a drug development service company, as Senior Director Marketing Communication from 2003 to 2007. He also held the position of Vice President of 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 from June 2003 through April 2007. Mr. Legrottaglie had previously served as Vice President of Information Systems from 1999 to 2000 and has been with the Company since 1996. Mr. Legrottaglie previously 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 of Corporate Controller of the Company from January 2003 through January 2006. Prior to joining Wayside Technology Group, Inc., Mr. Scull worked for Niksun Inc. as Accounting Manager commencing in January 2001 and, prior to that, for Telcordia Inc. from December 2000 as Manager of Accounting Policies.

Shawn J. Giordano was appointed Vice President of Sales in August 2008. Mr. Giordano joined Wayside Technology Group, Inc. in November 2007 as Senior Director of Sales for Programmer s Paradise and TechXtend. Prior to joining Wayside Technology Group, Inc., he worked for CA, Inc. (Computer Associates), a business consulting and software development company, from 2000 to 2007, most recently as Director of Channel Sales. Mr. Giordano began his career at Microwarehouse, Inc., and in over eight years with that company, progressed through positions of increasing responsibility in sales, marketing, and management.

Compensation Discussion and Analysis

Overview

The Company s primary objective is to maximize stockholder value. As a result, the Compensation Committee, the members of which are Mr. F. Duffield Meyercord (Chairman) and Mr. Edwin H. Morgens, strives to ensure that the Company s executive compensation programs will enable the Company to attract, retain and motivate key people required to execute the Company s business strategy and lead the Company to achieve its long-term growth and earnings goals. The Compensation Committee believes that the total compensation of executive officers should reflect their leadership abilities, their initiative, the scope of their responsibilities, the success of the Company and the past and expected future contribution of each executive to that success. The Compensation Committee seeks to foster a performance-oriented environment by tying a significant portion of each executive s cash and equity compensation to the achievement of performance targets that are important to the Company and its stockholders.

Components of Compensation. In recent years, the Company s executive compensation program has had three elements: base salary, an annual performance bonus plan, and stock-based incentives. In general, the Compensation Committee has set, and the Board has accepted, an annual performance bonus plan with respect to each succeeding fiscal year. However, the Compensation Committee and the Board are under no obligation to do this, and they have the power to consider other approaches to compensation. In March 2011, the Compensation Committee set and the Board accepted a performance bonus plan for 2011. Cash incentive payments under this performance bonus plan depend upon the Company s (or any of its specified business unit s) actual annual performance having met or exceeded thresholds set in that performance bonus plan.

On March 30, 2012, the Compensation Committee developed and set, and the Board accepted on April 8, 2012, subject to approval by the stockholders at the Meeting, the Company s 2012 Stock-Based Compensation Plan (the Stock Plan) and the Company s 2012 Executive Incentive Plan (the Executive Plan).

Pursuant to the Stock Plan, the Company s executive officers are eligible to receive grants of Stock Units, Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses, and other equity-based awards (collectively, Awards). Options granted under the Stock Plan may be either incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the Code), or nonqualified stock options, as determined by the Compensation Committee. Additional discussion about the Stock Plan is included in the summary of Proposal Two beginning on page 20.

Pursuant to the Executive Plan, the Company s executive officers are eligible to receive cash incentive payments dependent on the Company (or any of its specified business units) or the executive actually meeting or exceeding, in a specified performance period, pre-established, objectively determinable performance goals. Under the Executive Plan, the Compensation Committee must establish the performance goals and the performance period at a time when the attainment of the applicable performance goals is substantially uncertain (and in no event later than the 90th day of any performance period, or, if earlier, the date prior to the date upon which 25% of the performance period has elapsed). The Compensation Committee established performance goals in accordance with the Executive Plan for the Company s 2012 fiscal year on March 30, 2012. Because payments of cash awards under the Executive Plan would be determined by comparing actual performance to the performance goals established by the Compensation Committee, in accordance with criteria provided for in the Executive Plan, it is not possible to predict the amount of future benefits that will be paid under the Executive Plan for any future performance period. However, the maximum award an executive officer could receive under the Executive Plan in any fiscal year of the Company is $1,000,000. Additional discussion about the Executive Plan is included in the summary of Proposal Three beginning on page 26.

Target total cash compensation for each executive is established primarily based on peer group data. The Compensation Committee included companies in the peer group (PC Connection, Inc., Insight Enterprises, Inc., Arrow Electronics Inc. and Avnet, Inc.) that it believes are competitors of the Company for executive talent. A combination of proxy and executive salary survey data were the primary sources used to develop the analysis. The Compensation Committee has not relied on compensation consultants.

Base Salary and Performance Cash Bonus Plan

Total cash compensation for 2011 is divided into a base salary portion and a bonus. Many factors are considered in determining the base salaries for executive officers, including the value that each individual brings to the Company through experience, education and training, comparable positions and comparable responsibilities at similar organizations, the specific needs of the Company, and the individual s past and expected future contributions to the Company s success.

The principal targets in the Company s 2011 performance bonus plan were operating profit as well as segment contribution margin. Segment contribution margin represents segment revenue less the respective segment s cost of revenues as well as segment direct costs (including such items as payroll costs and payroll related costs, such as profit sharing, incentive awards and insurance) and excluding general and administrative expenses not attributed to a business unit. Specific targets for each executive officer were determined by the Compensation Committee based on a review of the Company s 2011 budget prepared by management and the factors described above. The targets are set at levels that, upon achievement of 100% of the target performance, are likely to result in bonus payments that the Compensation Committee believes to be comparable to our peer data group. The following table shows, for fiscal year 2011, the potential range of bonus awards and the actual bonus awarded as a percentage of base salary, for each of the Named Executive Officers. Bonuses for Messrs. Nynens and Scull are based on operating income performance, and bonuses for Messrs. Jamieson, Legrottaglie and Bevis are based on contribution margin performance and operating income.

Name	Operating Income Potential Payouts	Operating Income Actual Payouts	Contribution Margin Targets Potential Payouts	Contribution Margin Targets Actual Payouts
Simon F. Nynens	80-250%	245%		
Kevin T. Scull	35-80%	80%		
Vito Legrottaglie	25-55%	54%	5%-20%	18%
Dan Jamieson	25-45%	43%	35-83%	78%
Richard Bevis	15%-35%	32%	4-17%	17%

Equity Incentive

The Company s executive officers are eligible to receive equity incentive awards under the Company s equity incentive plans. The primary goal of the Company is to create long-term value for stockholders, and accordingly the Compensation Committee believes that equity incentive awards provide an additional incentive to executive officers to work towards maximizing stockholder value. The Compensation Committee views equity incentive awards as one of the more important components of the Company s long-term, performance-based compensation philosophy. The grant of equity incentive awards to executive officers encourages equity ownership in the Company, and closely aligns executive officers interests to the interests of the stockholders.

Equity incentive awards are provided through initial grants at or near the date of hire and through subsequent periodic grants. Equity incentive awards granted by the Company to its executive officers and other employees have exercise prices not less than the fair market value of the stock on the date of the grant or award. Equity incentive awards vest and become exercisable at such time as determined by the Board or the Compensation Committee. The initial grant is designed for the level of skills required to fulfill the executive s responsibilities and is designed to motivate the officer to make the kind of decisions and implement strategies and programs that will contribute to an increase in the Company s stock price over time. Periodic additional equity incentive awards within the comparable range for the job are granted to reflect the executive s ongoing contributions to the Company, to create an incentive to remain at the Company and to provide a long-term incentive to achieve or exceed the Company s financial goals.

In February 2010, the Company granted each Named Executive Officer (other than Mr. Nynens) 10,000 shares of restricted Common Stock. These restricted shares vest in equal installments over 60 months. In addition, the Company granted 50,000 restricted shares to Mr. Nynens containing the same vesting terms.

In May 2009, the Company granted each Named Executive Officer (other than Mr. Nynens) 10,000 shares of restricted Common Stock. These restricted shares vest in equal installments over 60 months. In addition, the Company granted 50,000 restricted shares to Mr. Nynens containing the same vesting terms.

In February 2008, the Company granted each Named Executive Officer (other than Mr. Nynens) 5,000 shares of restricted Common Stock. These restricted shares vest in equal installments over 60 months. In addition, the Company granted 25,000 restricted shares to Mr. Nynens containing the same vesting terms.

In August 2006, each executive officer received a grant of 10,000 shares of restricted Common Stock that vest in equal installments over 60 months. In addition, Mr. Nynens, in connection with his promotion to President and Chief Executive Officer, and under terms of his employment agreement, was granted 200,000 shares of restricted Common Stock that vest in equal installments over 120 months.

Compensation of the Chairman, President and Chief Executive Officer

The factors considered by the Compensation Committee in determining the compensation of the Chief Executive Officer, in addition to the criteria discussed above, include the Company s operating and financial performance, as well as the individual s leadership and establishment and implementation of the strategic direction for the Company. The Compensation Committee considered as part of its subjective evaluation, among other factors, such executive s reputation and contacts in the business community (including Mr. Nynens contacts in the computer software industry), and his extensive knowledge of finance and accounting. The compensation of the Company s Chief Executive Officer in 2011 consisted of a base salary, an automobile allowance, performance bonus and stock awards. The total compensation package was established considering compensation of peer chief executive officers with similar executive responsibilities.

Summary Compensation Table

The following table sets forth, for fiscal years 2011, 2010 and 2009, a summary of the annual and long-term compensation for services in all capacities of the Named Executive Officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	All Other Compensation ($)	Total ($)
Simon F. Nynens (2)	2011	281,667	689,600	497,890	126,133(3)	1,595,290
Chairman, President and Chief Executive Officer	2010	250,000	544,000	511,380	148,911(3)	1,454,291
	2009	250,000	270,000	406,805	134,505(3)	1,061,310
Kevin T. Scull	2011	127,917	103,440	56,410	14,989(3)	302,756
Vice President and Chief Accounting Officer	2010	120,000	68,000	69,900	17,734(3)	275,634
	2009	120,000	44,169	37,660	11,840(3)	213,669
Vito Legrottaglie	2011	165,833	119,100	56,410	16,890(3)	358,233
Vice President Operations	2010	150,000	130,000	69,900	19,954(3)	369,854
	2009	150,000	63,000	48,985	15,733(3)	277,718

Dan Jamieson	2011	169,792	203,920	56,410	16,890(3)	447,012
Vice President and General Manager-Lifeboat	2010	150,000	170,000	69,900	20,501(3)	410,401
	2009	150,000	70,000	48,985	15,039(3)	284,024
Richard Bevis	2011	140,000	68,300	65,040	13,402(3)	286,742
Vice President-Marketing	2010	140,000	60,000	65,040	17,210(3)	282,250
	2009	140,000	28,000	44,125	13,138(3)	225,263

(1) The amount included in Stock Awards is the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 (formerly FAS 123R). See Note 7, Stockholder s Equity and Stock Based Compensation in the Company s consolidated financial statements set forth in our Annual Report on Form 10-K for the assumptions made in determining stock award values.

(2) Mr. Nynens also serves as the chairman of the Board of Directors but does not receive any compensation for his service in this capacity.

(3) A detailed description of the items disclosed as All-Other Compensation is set forth in the table below.

All Other Compensation

Name		**401(k) Matching Contributions ($)**	**Dividend Equivalents On Unvested Restricted Stock ($)**	**Personal Use of Company Car ($)**	**Supplemental Life Insurance Premiums ($)**	**Total ($)**
Simon Nynens	2011	8,250	105,280	8,293	4,310	126,133
	2010	8,250	128,611	7,740	4,310	148,911
	2009	8,250	115,126	6,819	4,310	134,505
Kevin Scull	2011	6,349	8,640			14,989
	2010	5,483	12,251			17,734
	2009	5,655	8,326			13,981
Vito Legrottaglie	2011	8,250	8,640			16,890
	2010	7,703	12,251			19,954
	2009	7,407	8,326			15,733
Dan Jamieson	2011	8,250	8,640			16,890
	2010	8,250	12,251			20,501
	2009	6,713	8,326			15,039
Richard Bevis	2011	3,402	10,000			13,402
	2010	3,434	13,776			17,210
	2009	3,312	9,826			13,138

Options Exercised and Stock Vested in 2011

The table below shows the number of shares of Common Stock acquired during 2011 upon the exercise of options and vesting of restricted stock.

	Option Awards	**Stock Awards**

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired On Vesting (#)	Value Realized On Vesting ($)
Simon Nynens			46,000	597,528
Kevin Scull			6,000	79,028
Vito Legrottaglie			6,000	79,028
Dan Jamieson			6,000	79,028
Richard Bevis			7,000	90,738

Outstanding Equity Awards

The following table shows the number of shares of Common Stock covered by exercisable and unexercisable options and unvested restricted Common Stock held by the Company s Named Executive Officers on December 31, 2011.

Outstanding Equity Awards at December 31, 2011

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#) (1)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (2)**
Simon Nynens	100,000		8.03	6/10/2014	147,500	1,799,500
	14,320		12.85	4/21/2015		
Kevin Scull					11,500	140,300
Vito Legrottaglie	30,000		8.03	6/10/2014	11,500	140,300
	5,000		12.85	4/21/2015		
Dan Jamieson	40,000		8.03	6/10/2014	11,500	140,300
	5,000		12.85	4/21/2015		
Richard Bevis					13,000	158,600

(1) In February 2010, the Company granted each Named Executive Officer at the time (other than Mr. Nynens) 10,000 shares of restricted Common Stock. In addition, the Company granted 50,000 restricted shares to Mr. Nynens. These shares vest in equal installments over 60 months. In May 2009, the Company granted each Named Executive Officer at the time (other than Mr. Nynens) 10,000 shares of restricted Common Stock. These shares vest in equal installments over 60 months. In addition, the Company granted 50,000 restricted shares to Mr. Nynens. These shares vest in equal installments over 60 months. In February 2008, the Company granted each Named Executive Officer (other than Mr. Nynens) 5,000 shares of restricted Common Stock. These shares vest in equal monthly installments over 60 months. In addition, the Company granted 25,000 restricted shares to Mr. Nynens. These shares vest in equal monthly installments over 60 months. In August 2006, the Company granted each Named Executive Officer 10,000 shares of restricted Common Stock. These shares vest in equal monthly installments over 60 months. In addition, the Company granted 200,000 restricted shares to Mr. Nynens in accordance with his employment agreement. These shares vest in equal monthly installments over 120 months.

(2) The market value is based on the closing stock price of the Company s Common Stock of $12.20 on December 30, 2011, the last trading day of 2011.

Employment and Severance Agreements

Each of the Named Executive Officers has entered into an agreement that includes a covenant not-to-compete and a confidentiality provision. The covenant not-to-compete prohibits the executive from engaging in a competing business for a period of one year after termination. Such covenant also prohibits the executive from directly or indirectly soliciting the Company s customers or employees.

On January 9, 2006, the Company appointed Simon Nynens to be its President and Chief Executive Officer and entered into a related employment agreement with Mr. Nynens, dated as of January 12, 2006. The agreement provides for a base salary of $250,000, subject to increase at the discretion of the Compensation Committee, and a bonus, pursuant to a bonus plan adopted by the Board of Directors. Additionally, after approval of the 2006 Plan (defined below), Mr. Nynens was awarded 200,000 shares of restricted Common Stock in connection with his appointment, which shares vest in equal monthly increments over 120 months. In January 2011, Mr. Nynen s salary was increased by $40,000 to provide for a base of $290,000.

In the event that Mr. Nynens employment is terminated without cause or by the rendering of a non-renewal notification, he is entitled to receive severance payments equal to twelve months cash compensation, immediate vesting of all outstanding equity awards, and to purchase the car used by him at the buy-out price of any lease or fair market value, as applicable. Additionally, in the event that a change of control of the Company occurs (as described below under Potential Payments Upon Termination or Change of Control), Mr. Nynens outstanding equity awards become immediately vested and he is entitled to receive a lump-sum payment equal to 2.9 times his then annual salary and actual incentive bonus earned in the year prior to such change in control.

The Company has entered into a severance agreement with Mr. Legrottaglie, Vice President of Operations, under which Mr. Legrottaglie is entitled to severance payments for six months at the then applicable annual base salary if the Company terminates his employment for any reason other than for cause.

The payments triggered by such terminations pursuant to Mr. Nynens and Mr. Legrottaglie s employment agreements, as well as those triggered by a change of control under the employment arrangements of all Named Executive Officers, are illustrated in tabular format under Potential Payments Upon Termination or Change of Control below.

Potential Payments Upon Termination or Change in Control

The Company has entered into certain agreements and maintains certain plans that require the Company to provide compensation to the Named Executive Officers in the event of a termination of employment or a change in control of the Company. The amount of compensation to each Named Executive Officer in each situation is listed in the tables below. The amounts shown assume that such termination or change of control was effective on December 30, 2011 and that the Company s stock was $12.20 per share, which was the closing price of the shares on December 30, 2011.

The following table illustrates the payments that would be due to the Named Executives in the event of a change of control of the Company. For purposes hereof, a change of control shall be deemed to have occurred in the event of any of the following: (i) any person or entity makes a tender or exchange offer for shares of the Common Stock pursuant to which such person or entity acquires a majority of the issued and outstanding shares of the Common Stock, (ii) the Company merges or consolidates with or into another corporation or corporations, unless immediately after such merger or consolidation those persons and entities who immediately prior to such transaction were stockholders of the Company are entitled to vote in the election of directors, or otherwise have the right to elect, a majority of the directors of the surviving corporation, (iii) the Company sells, transfers or otherwise disposes of all or substantially all of its assets, other than to a direct or indirect subsidiary, or (iv) any person or entity acquires a majority of the Company s issued and outstanding voting securities and shall be entitled to vote in the election of directors or otherwise have the right to elect, a majority of the directors of the Company.

Name	Lump Sum Payment Based on Salary ($)	Lump Sum Payment Based on Bonus ($)	Accelerated Vesting on Restricted Stock ($)	Accelerated Vesting on Stock Options ($)	Total ($)
Simon F. Nynens	841,000	1,999,840	1,799,500	417,000	5,057,340
Kevin T. Scull			140,300		140,300
Vito Legrottaglie	85,000		140,300	125,100	350,400
Dan Jamieson			140,300	166,800	307,100
Richard Bevis			158,600		158,600

The following table illustrates the payments that would be due the Named Executive Officers in the event they are terminated without cause, and with respect to Mr. Nynens, also upon receipt of non-renewal notification. For purposes hereof, cause is defined as (A) the commission by the executive of a felony or an offense involving moral turpitude, the executive s engaging in theft, embezzlement, fraud, obtaining funds or property under false pretenses, or similar acts of misconduct with respect to the property of the Company or its employees, stockholders, affiliates, customers, licensees, licensors or suppliers, (B) the repeated failure by the executive to perform his duties under his employment agreement or comply with reasonable policies or directives of the Board of Directors, or (C) the material breach of the employment agreement or the conditions of employment.

Name	Payment Based On Salary ($)	Bonus($)	Accelerated Vesting on Restricted Stock ($)	Accelerated Vesting on Stock Options ($)	Total ($)
Simon F. Nynens	290,000		1,799,500	417,000	2,506,500
Kevin T. Scull					
Vito Legrottaglie	85,000				85,000
Dan Jamieson					
Richard Bevis					

The severance payments disclosed above are to be made in twelve consecutive equal monthly installments.

PROPOSAL 2

APPROVAL OF THE 2012 STOCK-BASED COMPENSATION PLAN

Each of the Compensation Committee (hereafter referred to in this proxy statement as the Committee) and the Board of Directors separately adopted the 2012 Stock-Based Compensation Plan (the Stock Plan) on March 30, 2012 and April 8, 2012, respectively, subject to stockholder approval at the Meeting. The Board and the Committee believe that it is in the best interests of the Company to adopt the Stock Plan so that the Company can continue to attract and retain the services of those persons essential to the Company s growth and financial success.

The following is a summary of the principal features of the Stock Plan. This summary does not purport to be a complete description of all the provisions of the Stock Plan and is qualified by its entirety by reference to the Stock Plan, a copy of which has been filed with the SEC and is attached as Exhibit A to this proxy statement. Capitalized terms not otherwise defined in this summary under this Proposal 2 have the meanings given to them in the Stock Plan. Any stockholder of the Company who wishes to obtain a copy of the actual Stock Plan may do so upon written request to the Corporate Secretary at the Company s principal executive offices in Shrewsbury, New Jersey.

General

The Stock Plan will authorize the grant of Stock Units, Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses, and other equity-based awards (collectively, Awards). Options granted under the Stock Plan may be either incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the Code), or nonqualified stock options, as determined by our Committee.

Number of Shares Authorized. The number of shares of Common Stock initially available for award under the Stock Plan is 600,000 shares. If any Award is forfeited, or if any Option terminates, expires or lapses without being exercised, any shares of Common Stock subject to such Award will again be available for future grant. However, to the extent any shares of Common Stock covered by an Award are not delivered to a Participant (or, if applicable, his heir, legatee or permitted transferee) because the Award is forfeited, cancelled, terminates, expires, lapses without being exercised or settled in cash, such shares shall be deemed to have been delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under the Stock Plan. In addition, to the extent permitted under Section 162(m) of the Code, any shares under the Stock Plan that are used to satisfy award obligations under the plan of another entity that is acquired by the Company will not count against the remaining number of shares available. Finally, if there is any change in the Company s corporate capitalization, the Committee in its sole discretion may cancel and make substitutions of Awards or may adjust the number of shares available for award under the Stock Plan, the number and kind of shares covered by Awards then outstanding under the Stock Plan and the exercise price of outstanding Options and Stock Appreciation Rights.

Administration. The Committee will administer the Stock Plan and, subject to the other provisions of the Stock Plan, has the authority to:

- interpret the Stock Plan;
- establish and amend rules and regulations relating to the Stock Plan;

- select the participants and determine the type of Awards to be made to participants, the number of shares subject to Awards and the terms, conditions, restrictions and limitations of Awards; provided, however, that the Company s Nominating and Corporate Governance Committee shall recommend to the Board, and the Board, not the Committee, shall have the sole and absolute authority to grant Awards to non-employee directors; and

- make all other determinations it deems necessary or advisable for the administration of the Stock Plan.

Eligibility. The Stock Plan provides that Awards may be granted to employees, non-employee directors and consultants of the Company or its subsidiaries. Incentive stock options may be granted only to employees. The maximum number of shares that may be awarded to a participant in the form of Options or SARs, during any calendar year shall not exceed 300,000 shares in the aggregate. The maximum payment to an individual based on the achievement of performance goals applicable to Awards of Deferred Stock, Restricted Stock, Stock Bonuses and/or Stock Units may not exceed $1,000,000 during any calendar year. Each Award granted under the Stock Plan will be evidenced by a written award agreement between the participant and the Company, which will describe the Award and state the terms and conditions applicable to such Award. The principal terms and conditions of each particular type of Award are described below.

Performance Goals

The Award agreements may provide for vesting or earning the Award based on achievement of performance goals. Performance goals may be established on a Company-wide basis, with respect to one or more subsidiary corporations, business units, divisions, department, or functions, and in either absolute terms or relative to the performance of one or more comparable companies or an index covering multiple companies. Performance goals, the number of shares or units to which they pertain, and the time and manner of payment of the Award shall be specified in the Award agreement.

Except in the case of Awards intended to meet the requirements of Section 162(m) of the Code applicable to qualified performance-based compensation (Qualified Performance-Based Awards), the Committee may modify performance goals in whole or in part, during the performance period, as it deems appropriate and equitable. In the case of Qualified Performance-Based Awards, the applicable performance goals are limited to milestones related to or changes in one or more of the following:

- the price of Common Stock;
- the market share of the Company and any subsidiary (or any business unit thereof);
- sales by the Company or any subsidiary (or any business unit thereof);
- earnings per share of Common Stock;
- return on stockholder equity of the Company;
- costs of the Company or any subsidiary (or any business unit thereof);
- cash flow of the Company (or any business unit thereof);
- return on total assets of the Company or any subsidiary (or any business unit thereof);
- return on invested capital of the Company or any subsidiary (or any business unit thereof);
- return on net assets of the Company or any subsidiary (or any business unit thereof);
- operating income of the Company or any subsidiary (or any business unit thereof); and
- net income of the Company or any subsidiary (or any business unit thereof).

Awards

Stock Units and Stock Bonuses. Awards of Stock Units may be made under the Stock Plan. A Stock Unit is a book-entry unit with a value equal to one share of Common Stock. A grant of Stock Units will vest and become payable to the participant upon termination of employment or other service or upon other future events, including the achievement during a specified performance period of performance goals established by the Committee. Payment of Stock Units shall be made in cash equal to the fair market value of the shares of Common Stock to which the Award relates multiplied by the number of Stock Units granted. Stock Bonuses may be granted to participants entitling them to payment of a specified number of shares of Common Stock, which shares may (but need not) be payable at a future date and subject to such conditions as the Committee shall determine appropriate, including achievement of performance goals specified at the time of grant.

Options. An Option is the right to purchase shares of Common Stock for a specified period of time at a fixed price (the exercise price). As of April 9, 2012, the closing price per share for our Common Stock was $14.67. Each Option agreement will specify the exercise price, the type of Option, the term of the Option, the date when the Option will become exercisable and any applicable performance goals. Incentive stock options may only be granted to employees, shall only be transferable by will or under the laws of descent and distribution, and, during the participant s lifetime, may only be exercised by the participant. No Award of incentive stock options may permit the fair market value of any such Options becoming first exercisable in any calendar year to exceed $100,000.

<u>Exercise Price</u>. The Committee will determine the exercise price of an Option at the time the Option is granted. The exercise price under an incentive stock option or non-qualified stock option will not be less than 100% of the fair market value of Common Stock on the date the Option is granted. However, any optionee who owns more than 10% of the combined voting power of all classes of the Company s outstanding Common Stock (a 10% Stockholder) will not be eligible for the grant of an incentive stock option unless the exercise price of the incentive stock option is at least 110% of the fair market value of the Common Stock on the date of grant.

Consideration. The means of payment for shares issued upon exercise of an Option will be specified in each Option agreement and generally may be made by the participant in cash, in a cash payment through a broker or bank from the proceeds of the sale of the shares purchased through the exercise of the Option (a cashless exercise), with the Committee s consent, in whole or in part with shares of Common Stock owned by the participant for at least six months, or a combination of the foregoing methods. The Committee may also permit a non-qualified Option to be exercised with Restricted Stock that has not yet vested, in which case the shares received upon exercise of the Option will, unless otherwise determined by the Committee, be subject to the same restrictions as the Restricted Stock.

Term of the Option. The term of an Option granted under the Stock Plan will be no longer than ten years from the date of grant. In the case of an Option granted to a 10% Stockholder, the term of an incentive stock option will be for no more than five years from the date of grant.

Stock Appreciation Rights. A stock appreciation right (SAR) entitles the recipient to receive, upon exercise of the SAR, the increase in the fair market value of a specified number of shares of Common Stock from the date of the grant of the SAR to the date of exercise, payable in cash, shares of Common Stock, shares of Deferred Stock, shares of Restricted Stock or any combination thereof. A SAR may be granted in tandem with an Option or separately (a free-standing SAR). The Committee shall set the exercise price of an SAR which shall not be less than the Fair Market Value of the underlying Common Stock on the date of the grant. Any grant may specify a waiting period or periods before the SAR may become exercisable and permissible dates or periods on or during which the SAR shall be exercisable. No SAR may be exercised more than ten years from the grant date.

Restricted and Deferred Shares. An Award of Restricted Stock is a grant to the recipient of a specified number of shares of Common Stock which are subject to forfeiture upon specified events during the restriction period. Each grant of Restricted Stock will specify the length of the restriction period and will include restrictions on transfer to third parties during the restriction period. An Award of Deferred Stock is an agreement by the Company to deliver to the recipient a specified number of shares of Common Stock at the end of a specified deferral period, subject to the fulfillment of any conditions specified by the Committee.

General Provisions

Vesting. Each grant of Stock Units and Stock Bonuses shall specify the conditions, including performance goals, if applicable, that must be satisfied in order for payment to be made. Each grant of Options or SARs shall specify the length of service and/or any applicable performance goals that must be achieved before it becomes exercisable. Each grant of Restricted Stock shall specify the duration of the restriction period and any other conditions that under which the Restricted Stock would be forfeitable to the Company, including any applicable performance goals. Each grant of Deferred Stock shall specify the deferral period and any other conditions to which future delivery of shares to the recipient is subject, including any applicable performance goals. Each grant may provide for the early exercise rights or termination of a restriction or deferral period, subject to compliance with the requirements of Section 409A of the Code, in the event of a Change in Control or similar transaction or event.

Dividends/Ownership Rights. Unless otherwise provided by the Committee, an Award of Bonus Stock or Restricted Stock entitles the participant to dividend, voting and other ownership rights during the restriction period. An Award of Deferred Stock does not entitle the participant to any transfer, voting or any other ownership rights with respect to the Deferred Shares. Any grant of Deferred Stock may provide for the payment of dividend equivalents in cash or additional shares.

Non-transferability of Awards. In general, during a participant s lifetime, his or her Awards shall be exercisable only by the participant and shall not be transferable other than by will or laws of descent and distribution. However, the Committee may provide for limited lifetime transfers of Awards, other than incentive stock options, to certain family members. In addition, an Award grant may provide for additional transfer restrictions on vested shares received upon exercise, delivery, or payment of an Award, including restrictions relating to minimum share ownership requirements applicable to any participant.

Termination of Employment, Consulting Services, or Other Services. The Committee may take actions which it believes equitable under the circumstances or in the best interests of the Company with respect to Awards that are not fully vested in the event of termination of employment or service by reason of death, disability, normal retirement, early retirement with the consent of the Committee, other termination or a leave of absence that is approved by the Committee, or in the event of hardship or other special circumstances that are approved by the Committee. Unless otherwise determined by the Committee, upon a participant s termination for Cause, all outstanding Options or SARs shall expire and all shares of Restricted Stock still subject to a restriction period and Deferred Stock still subject to a deferral period shall be forfeited.

Award Deferrals. An Award Agreement may provide for the deferral of any Award, dividend or dividend equivalent until a specified time and under such terms as established by the Committee.

Change in Control. Unless otherwise determined by the Committee, in the event of a Change in Control (as defined in the Stock Plan), all Awards that have not vested or been cancelled or forfeited shall become fully vested and exercisable immediately upon such event, provided the Award has not been forfeited and the participant has remained employed by, or otherwise in the service of, the Company at the date of such event. Alternatively, the Committee may cancel and cash out outstanding Awards or arrange for the substitution of outstanding Awards with new awards of equal value. If a Change of Control occurs during one or more performance periods for which the Committee has not yet made a determination as to whether the applicable performance objectives were met, the performance period shall immediately terminate and it shall be assumed that the applicable performance objectives have been attained at a level of one hundred percent (100%). A participant shall be considered to have earned, and therefore be entitled to receive, payment of a prorated portion of the performance Awards that he or she would have received for the whole performance period, based on the portion of the performance period completed before the Change in Control. In addition, and subject to compliance with the requirements of Section 409A of the Code, any Award deferred by a participant may be payable in connection with such Change in Control.

Effective Date, Amendments, and Termination of the Stock Plan. The Stock Plan will be effective upon its approval by Company stockholders. The Board of Directors has the authority to amend or terminate the Stock Plan at any time; provided, however, that stockholder approval is required for any amendment which (i) materially increases the number of shares available for Awards under the Stock Plan (other than to reflect a change in the Company s capital structure), (ii) materially increases the maximum number of shares allowed for grants to any participant, (iii) materially changes the class of persons eligible to receive grants of Awards or the types of Awards available under the Stock Plan, (iv) materially increases the benefits to participants under the Stock Plan, or (v) as otherwise required by applicable law or the Nasdaq rules. Further, no Award may be repriced, replaced, regranted through cancellation, or modified without stockholder approval. Finally, the Stock Plan will terminate automatically ten years after it is approved by stockholders.

Certain Federal Income Tax Considerations

The following discussion is a summary of certain federal income tax considerations that may be relevant to participants in the Stock Plan. The discussion is for general informational purposes only and does not purport to address specific federal income tax considerations that may apply to a participant based on his or her particular circumstances, nor does it address state or local income tax or other tax considerations that may be relevant to a participant.

Stock Units and Stock Bonuses. A participant realizes no taxable income and the Company is not entitled to a deduction when Stock Units or Stock Bonuses payable in the future and subject to conditions such as the achievement of performance goals (a Conditional Stock Bonus) are awarded. Stock Bonuses not subject to future conditions constitute taxable income to the participant when granted and the Company is entitled to a corresponding deduction. When the Stock Units or Conditional Stock Bonuses vest and become payable as a result of the satisfaction of the terms and conditions on such Award, including, if applicable, achievement of performance goals, the participant will realize ordinary income equal to the amount of cash received or the fair market value of the shares received minus any amount paid for the shares, and, subject to Section 162(m) of the Code, the Company will be entitled to a corresponding deduction. A participant s tax basis in shares of Common Stock received upon payment will be equal to the fair market value of such shares when the participant receives them.

Upon a sale of the shares, the participant will realize short-term or long-term capital gain or loss, depending upon whether the shares have been held for more than one year at the time of sale. Such gain or loss will be equal to the difference between the amount realized upon the sale of the shares and the tax basis of the shares in the participant s hands.

Deferred Stock. A participant realizes no taxable income and the Company is not entitled to a deduction when Deferred Stock is awarded. When the deferral period for the Award ends and the participant receives shares of Common Stock, the participant will realize ordinary income equal to the fair market value of the shares at that time, and, subject to Section 162(m) of the Code, the Company will be entitled to a corresponding deduction. A participant s tax basis in shares of Common Stock received at the end of a deferral period will be equal to the fair market value of such shares when the participant receives them. Upon sale of the shares, the participant will realize short-term or long-term capital gain or loss, depending upon whether the shares have been held for more than one year at the time of sale. Such gain or loss will be equal to the difference between the amount realized upon the sale of the shares and the tax basis of the shares in the participant s hands.

Restricted Stock. Restricted Stock received pursuant to Awards will be considered subject to a substantial risk of forfeiture for federal income tax purposes. If a participant who receives such Restricted Stock does not make the election described below, the participant realizes no taxable income upon the receipt of Restricted Stock and the Company is not entitled to a deduction at such time. When the forfeiture restrictions with respect to the Restricted Stock lapse, the participant will realize ordinary income equal to the fair market value of the shares at that time, and, subject to Section 162(m) of the Code, the Company will be entitled to a corresponding deduction. A participant s tax basis in Restricted Stock will be equal to their fair market value when the forfeiture restrictions lapse, and the participant s holding period for the shares will begin when the forfeiture restrictions lapse. Upon sale of the shares, the participant will realize short-term or long-term gain or loss, depending upon whether the shares have been held for more than one year at the time of sale. Such gain or loss will be equal to the difference between the amount realized upon the sale of the shares and the tax basis of the shares in the participant s hands. Participants receiving Restricted Stock may make an election under Section 83(b) of the Code with respect to the shares. By making a Section 83(b) election, the participant elects to realize compensation income with respect to the shares when the shares are received rather than at the time the forfeiture restrictions lapse. The amount of such compensation income will be equal to the fair market value of the shares when the participant receives them (valued without taking the restrictions into account), and the Company will be entitled to a corresponding deduction at that time. By making a Section 83(b) election, the participant will realize no additional compensation income with respect to the shares when the forfeiture restrictions lapse, and will instead recognize gain or loss with respect to the shares when they are sold. The participant s tax basis in the shares with respect to which a Section 83(b) election is made will be equal to their fair market value when received by the participant, and the participant s holding period for such shares begins at that time. If, however, the shares are subsequently forfeited to the Company, the participant will not be entitled to claim a loss with respect to the shares to the extent of the income realized by the participant upon the making of the Section 83(b) election. To make a Section 83(b) election, a participant must file an appropriate form of election with the Internal Revenue Service and with his or her employer, each within 30 days after shares of restricted stock are received, and the participant must also attach a copy of his or her election to his or her federal income tax return for the year in which the shares are received.

Generally, during the restriction period, dividends and distributions paid with respect to Restricted Stock will be treated as compensation income (not dividend income) received by the participant. Dividend payments received with respect to shares of restricted stock for which a Section 83(b) election has been made will be treated as dividend income, assuming the Company has adequate current or accumulated earnings and profits.

Non-Qualified Options. A participant realizes no taxable income and the Company is not entitled to a deduction when a non-qualified option is granted. Upon exercise of a non-qualified option, a participant will realize ordinary income equal to the excess of the fair market value of the shares received over the exercise price of the non-qualified option, and, subject to Section 162(m) of the Code, the Company will be entitled to a corresponding deduction. A participant s tax basis in the shares of Common Stock received upon exercise of a non-qualified option will be equal to the fair market value of such shares on the exercise date, and the participant s holding period for such shares will begin at that time. Upon sale of the shares of Common Stock received upon exercise of a non-qualified option, the participant will realize short-term or long-term capital gain or loss, depending upon whether the shares have been held for more than one year. The amount of such gain or loss will be equal to the difference between the amount realized in connection with the sale of the shares, and the participant s tax basis in such shares. Under the Stock Plan, non-qualified options may, with the consent of the Committee, be exercised in whole or in part with shares of Common Stock or Restricted Stock held by the participant. Payment in Common Stock or Restricted Stock will be treated as a tax-free exchange of the shares surrendered for an equivalent number of shares of Common Stock received, and the equivalent number of shares received will have a tax basis equal to the tax basis of the surrendered shares. In the case of payment in Restricted Stock, however, the equivalent

number of shares of Common Stock received shall be subject to the same risks of forfeiture or restrictions on transfer as those that applied to the Restricted Stock surrendered. The fair market value of shares of Common Stock received in excess of the number of shares surrendered will be treated as ordinary income and such shares have a tax basis equal to their fair market value on the date of the exercise of the non-qualified option.

Incentive Stock Options. A participant realizes no taxable income and the Company is not entitled to a deduction when an incentive stock option is granted or exercised. Provided the participant meets the applicable holding period requirements for the shares received upon exercise of an incentive stock option (two years from the date of grant and one year from the date of exercise), gain or loss realized by a participant upon sale of the shares received upon exercise will be long-term capital gain or loss, and the Company will not be entitled to a deduction. If, however, the participant disposes of the shares before meeting the applicable holding period requirements (a disqualifying disposition), the participant will realize ordinary income at that time equal to the excess of the fair market value of the shares on the exercise date over the exercise price of the incentive stock option. Any amount realized upon a disqualifying disposition in excess of the fair market value of the shares on the exercise date of the incentive stock option will be treated as capital gain and will be treated as long-term capital gain if the shares have been held for more than one year. If the sales price is less than the sum of the exercise price of the incentive stock option and the amount included in ordinary income due to the disqualifying disposition, this amount will be treated as a short-term or long-term capital loss, depending upon whether the shares have been held for more than one year. Notwithstanding the above, individuals who are subject to Alternative Minimum Tax may recognize ordinary income upon exercise of an incentive stock option. Under the Stock Plan, incentive stock options may, with the consent of the Committee, be exercised in whole or in part with shares of Common Stock held by the participant. Such an exercise will be treated as a tax-free exchange of the shares of Common Stock surrendered (assuming the surrender of the previously-owned shares does not constitute a disqualifying disposition of those shares) for an equivalent number of shares of Common Stock received, and the equivalent number of shares received will have a tax basis equal to the tax basis of the surrendered shares. Shares of Common Stock received in excess of the number of shares surrendered will have a tax basis of zero.

SARs. A participant realizes no taxable income and the Company is not entitled to a deduction when a SAR is granted. Upon exercising a SAR, a participant will realize ordinary income in an amount equal to the cash or the fair market value of the shares received minus any amount paid for the shares, and, subject to Section 162(m) of the Code, the Company will be entitled to a corresponding deduction. A participant s tax basis in the shares of Common Stock received upon exercise of a SAR will be equal to the fair market value of such shares on the exercise date, and the participant s holding period for such shares will begin at that time. Upon a sale of the shares of Common Stock received upon exercise of a SAR, the participant will realize short-term or long-term capital gain or loss, depending upon whether the shares have been held for more than one year. The amount of such gain or loss will be equal to the difference between the amount realized in connection with the sale of the shares, and the participant s tax basis in such shares.

Deferral Election. Generally, Awards deferred by recipients are not taxable until the Awards are paid to the recipient. At that time, the amounts will be includible in income and the Company will be entitled to a deduction.

Section 162(m) Limitation. Section 162(m) of the Code limits the deductibility of compensation paid to certain executive officers, unless the compensation constitutes Qualified Performance-Based Awards. If Awards to such persons are intended to qualify as Qualified Performance-Based Awards, the Stock Plan requires that the maximum fair market value of any performance-based Award or Awards that may be granted to the recipient during any one calendar year under the Stock Plan is $1,000,000.

Withholding. The Company is entitled to deduct from the payment of any Award (whether made in stock or in cash) all applicable income and employment taxes required by federal, state, local or foreign law to be withheld, or may require the participant to pay such withholding taxes to the Company as a condition of receiving payment of the Award. The Committee may allow a participant to satisfy his or her withholding obligations by directing the Company to retain the number of shares necessary to satisfy the withholding obligation, or by delivering shares held by the participant to the Company in an amount necessary to satisfy the withholding obligation.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE 2012 STOCK-BASED COMPENSATION PLAN.

PROPOSAL 3

APPROVAL OF THE COMPANY S EXECUTIVE INCENTIVE PLAN

FOR PURPOSES OF SECTION 162(m) OF THE INTERNAL REVENUE CODE OF 1986

At the Annual Meeting, stockholders will be asked to approve the Wayside Technology Group, Inc. Executive Incentive Plan (the Executive Plan). The Executive Plan is designed to provide incentive compensation to executive officers of the Company through bonus opportunities payable upon attainment of pre-established objectively determinable performance goals related to the Company, business unit and/or individual performance. The Executive Plan is intended to permit the grant of awards which qualify as qualified performance-based compensation within the meaning of Section 162(m).

Background

Section 162(m) generally limits the Company s tax deductions with respect to compensation in excess of $1,000,000 per year paid to our chief executive officer and our three other most highly compensated executive officers (other than our chief financial officer) at the end of our fiscal year (each a Covered Employee). Under Section 162(m), an exemption from this deduction limit is provided for compensation which constitutes qualified performance-based compensation under Section 162(m). The Executive Plan is designed so that awards under the plan can qualify as qualified performance-based compensation for purposes of Section 162(m). Among other things, Section 162(m) requires that qualified performance-based compensation be paid solely on account of the attainment of one or more pre-established, objective, performance goals and that the material terms of the performance goals under which the compensation is to be paid are disclosed to shareholders and subsequently approved by a majority of shareholders in a separate shareholder vote before the compensation is paid.

In March 2012, the Committee approved the Executive Plan, subject to stockholder approval, and the Board recommends that the stockholders approve the Executive Plan. If our stockholders do not approve the Executive Plan at the Annual Meeting, the Executive Plan will not go into effect and the awards described below under New Potential Executive Plan Benefits will be cancelled. In that case, the Company will consider whether or not to implement other methods of providing incentives to our executive officers, however any such alternative compensation may not be fully deductible by the Company due to the operation of Section 162(m).

The following description of the material terms of the Executive Plan is qualified in its entirety by reference to the terms of the Plan, a copy of which has been filed with the SEC and is attached as Exhibit B to this proxy statement.

Description of the Executive Plan

Administration. The Executive Plan is administered by the Committee, which is composed entirely of non-employee directors who meet the criteria of outside director set forth under Section 162(m). The Committee s powers include the authority, within the limitations set forth in the Executive Plan, to select the eligible employees to be granted awards, determine the performance period applicable to awards, establish the performance goals for each participant for each performance period, determine the amount of each award and the payout formula for each award and to determine the other terms and conditions of the awards. The Committee must also certify whether or the extent to which the performance goals established under the Executive Plan were achieved. The Committee also has the authority to interpret the Executive Plan and adopt rules for the administration of the Plan. The Committee may make equitable adjustment to awards to reflect the impact of extraordinary events, provided that no such adjustment shall be permitted to the extent the adjustment would result in an award failing to continue to constitute qualified performance-based compensation for purposes of Section 162(m).

Eligibility. Participation in the Executive Plan is limited to the executive officers of the Company. Currently, the Company has six executive officers.

Performance Goals. The performance goals relating to awards granted to Covered Employees will be objective and measurable goals determined by the Committee based on one or more of the following measures (which shall be applicable to the organizational level specified by the Committee, including, but not limited to, the Company or any segment thereof): earnings before interest, taxes, depreciation and amortization, net income (loss) (either before or after interest, taxes, depreciation and/or amortization), changes in the market price of the common stock of the Company (the Stock), economic value-added, funds from operations or similar measure, milestones related to or changes in sales or revenue, acquisitions or strategic transactions, operating income (loss), milestones related to or changes in cash flow (including, but not limited to, operating cash flow and free cash flow), return on capital, assets, equity, or investment, stockholder returns, return on sales, gross or net profit levels, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings (loss) per share of Stock, sales or market shares and number of customers, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The foregoing measures may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. The Covered Employee Performance Goals may differ from Covered Employee to Covered Employee and from award to award.

Maximum Award. The maximum award a Covered Employee could receive under the Executive Plan in any fiscal year of the Company shall not exceed $1,000,000.

Negative Discretion. Notwithstanding the attainment of a target or other specified level of performance established for an award, the Committee has the discretion to reduce, but not increase, some or all of the award that would otherwise be paid to a Covered Employee. With respect to other participants, the Committee has the discretion to reduce or increase the amount of the actual award paid.

Clawback. Awards under the Executive Plan may be made subject to any compensation recoupment or clawback policy of the Company, which could result in the Company having the right to recoup incentive awards from a Participant if there is a material restatement of the Company s financial results.

Amendment and Termination. The Committee may amend or terminate the Executive Plan at any time so long as any amendment would not cause amounts payable under the Executive Plan to fail to qualify as qualified performance-based compensation within the meaning of Section 162(m).

Duration of the Executive Plan. No awards may be granted under the Plan after June 6, 2017, which is five years after the expected date of stockholder approval of the Executive Plan. Awards granted to participants prior to that date will remain in effect after that date in accordance with their terms.

New Potential Executive Plan Benefits

The following table shows the Awards which would have been received by or allocated to each of the following for 2011 if the Executive Plan had been in effect.

Name and Position		**Cash Awards**
Simon Nynens (CEO)	$	519,000
Kevin Scull (Vice President and Chief Accounting Officer)		69,200
Vito Legrottaglie (Vice President Operations)		114,000

Dan Jamieson (Vice President and General Manager-Lifeboat)		161,200
Richard Bevis (Vice President Marketing)		66,000
All executive officers as a group	$	929,400
All non-employee directors as a group		
All non-executive officer employees as a group		

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE COMPANY S EXECUTIVE COMPENSATION PLAN FOR PURPOSES OF SECTION 162(m).