Systemax™ Proxy Statement and 2016 Annual Report to Stockholders

Dear Fellow Stockholders,

More than a year ago we commenced a strategy to exit our underperforming businesses and streamline our Company. With the sale of our former North American Technology Group in late 2015, the sale of Germany in September 2016, the sale of Afligo in December 2016 and the sale of the remainder of our underperforming businesses in Europe in March 2017, we have substantially completed this initiative and successfully transformed Systemax. Each of these businesses generated significant losses for several years and their disposition substantially improves our overall profitability. While certain wind down activities remain, we are now focused on our core operations.

Today, Systemax is essentially a new company. We have shed unprofitable operations that hid the growth, potential and value of our profitable Industrial Products Group ("IPG") and our France technology Value Added Reseller businesses. IPG and France are both highly successful and we are now fully focused on driving their growth and profitability.

IPG had another solid year as topline growth continues to outperform many of its peers within the overall MRO market. Revenues reached a record $715 million for 2016, which represented increases in average daily sales of nearly 3%. Industrial's product margins are stable and the business is focused on improving execution and better leveraging the infrastructure it has built the past two years. We recently completed our warehouse management system conversion placing all North American distribution centers on a single platform and look forward to achieving the customer benefits and cost efficiencies from this new system in 2017. We also made significant progress in strengthening key customer and vendor relationships. A large part of this effort included the launch of our customer and vendor shows last year and we plan to host two of these events in 2017.

France had another exceptional year with revenue of $417 million, double digit constant currency average daily sales growth, expanded gross margins, improved SG&A leverage, and record operating profit of $19 million. France has a great management team, outstanding vendor and customer relationships, a long-tenured sales organization and remains well positioned for continued success in 2017.

With a simplified and focused operating footprint and a strong cash position, we have the flexibility to continue to invest in our businesses and evaluate strategic acquisitions that can accelerate our performance. We are returning capital to shareholders through our quarterly dividend and our entire team is committed to improving margin performance, which remains an area of significant opportunity.

We would like to thank our employees, customers, vendors and stockholders for their support and look forward to keeping you updated on our progress.

Sincerely,

Larry Reinhold
President and Chief Executive Officer

TO RECEIVE ADDITIONAL INFORMATION ON THE COMPANY PLEASE SEND A WRITTEN REQUEST TO:

CORPORATE HEADQUARTERS:
Systemax Inc.
11 Harbor Park Drive
Port Washington, NY 11050
516-608-7000 ext. 7181
Email: investinfo@systemax.com
Web Site: http://www.systemax.com

INVESTOR RELATIONS:
Brainerd Communicators, Inc.
1370 Broadway, 14th Floor
New York, NY 10018
Attention: Mike Smargiassi
(212) 986-6667
Email: smarg@braincomm.com
Website: http://www.braincomm.com

TRANSFER AGENT:
American Stock Transfer & Trust Company LLC
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449
Email: info@amstock.com
Web Site: http://www.amstock.com

SEND CERTIFICATES FOR TRANSFER AND ADDRESS CHANGES TO:
American Stock Transfer & Trust Company LLC
6201 15th Avenue
Brooklyn, NY 11219

STOCK EXCHANGE:
The Company's shares are traded on the
New York Stock Exchange under the symbol SYX.

CORPORATE GOVERNANCE
Copies of the Company's 2016 Annual Report on Form 10-K, Proxy Statement for the 2017 Annual Meeting, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission are available online at www.systemax.com or to stockholders without charge upon written request to the Company's address listed above, Attention: Investor Relations. In addition, on the Corporate Governance page of the Company's website, www.systemax.com, stockholders can view the Company's Corporate Ethics Policy, Audit Committee Charter, Compensation Committee Charter, Nominating/ Corporate Governance Committee Charter and Corporate Governance Guidelines and Principles.

Systemax Inc. (www.systemax.com) sells industrial and technology products through a system of branded e-Commerce websites and relationship marketers in North America and France. The primary brands are Global Industrial and Inmac Wstore.

Systemax Inc.
11 Harbor Park Drive
Port Washington, New York 11050

April 24, 2017

Dear Stockholders:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders of Systemax Inc. (the "Company") which will be held at the Company's corporate offices, located at 11 Harbor Park Drive, Port Washington, New York at 12:00 p.m. on Monday, June 5, 2017. We look forward to greeting those stockholders who are able to attend. On the following pages, you will find the formal Notice of Annual Meeting and Proxy Statement.

For the Annual Meeting, we are pleased to use the "Notice Only" rule adopted by the Securities and Exchange Commission to furnish proxy materials to stockholders over the Internet. We believe this process will provide you with an efficient and quick way to access your proxy materials and vote your shares, while allowing us to reduce the environmental impact and the costs of printing and distributing the proxy materials. On or about April 24, 2017, we mailed to most stockholders a Notice of Internet Availability of Proxy Materials that tells them how to access and review information contained in the proxy materials and our Annual Report on Form 10-K for fiscal year 2016 and vote electronically over the Internet. If you received only the Notice in the mail, you will not receive a printed copy of the proxy materials in the mail unless you request the materials by following the instructions included in the Notice.

At the Annual Meeting, you will be asked to: (1) elect seven directors; (2) approve a non-binding, advisory resolution regarding the compensation of our Named Executive Officers; and (3) ratify the appointment of Ernst & Young LLP as the Company's independent registered public accountants for fiscal year 2017. Your Board of Directors recommends that you vote your shares "FOR" proposals (1), (2) and (3). These proposals are more fully described in the accompanying proxy statement.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted at the Annual Meeting. Accordingly, please vote your shares over the internet at *www.proxyvote.com* or by telephone at (800) 690-6903 until 11:59 PM Eastern Time on June 4, 2017, or if you received a paper proxy card, date, sign and return the proxy card as soon as possible in the envelope provided or to the address set forth in the voting instructions therein. Your cooperation will ensure that your shares are voted.

If your shares are held in "street name" in a stock brokerage account or by a bank or other nominee, you must provide your broker with instructions on how to vote your shares in order for your shares to be voted on important matters presented at the Annual Meeting. If you do not instruct your broker on how to vote in the election of directors and on compensation matters, your shares will not be voted on these matters.

We hope that you will attend the Annual Meeting, and we look forward to seeing you there.

Sincerely,

RICHARD LEEDS	LAWRENCE REINHOLD
Executive Chairman	*President and Chief Executive Officer*

Systemax Inc.
11 Harbor Park Drive
Port Washington, New York 11050

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on June 5, 2017

Dear Stockholders:

The 2017 Annual Meeting of the Stockholders of Systemax Inc. (the "Company") will be held at the Company's offices, 11 Harbor Park Drive, Port Washington, New York, on Monday June 5, 2017 at 12:00 p.m. for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect the Company's Board of Directors;
2. To consider and approve a non-binding, advisory resolution regarding the compensation of our Named Executive Officers, as described under the heading "Executive Compensation";
3. To consider and vote upon a proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accountants for fiscal year 2017; and
4. To transact such other business as may properly come before the meeting and any and all adjournments or postponements thereof.

The Board of Directors has fixed the close of business on April 13, 2017 as the record date for the determination of the stockholders entitled to notice of and to vote at the meeting and at any adjournment or postponement thereof.

Stockholders are invited to attend the meeting. Whether or not you expect to attend, we urge you to vote your shares. YOU CAN VOTE YOUR SHARES OVER THE INTERNET AT *www.proxyvote.com* OR BY TELEPHONE AT (800) 690-6903 UNTIL 11:59 PM EASTERN TIME ON JUNE 4, 2017. IF YOU RECEIVED A PAPER PROXY CARD BY MAIL, YOU MAY ALSO VOTE BY SIGNING, DATING, AND RETURNING THE PROXY CARD IN THE ENVELOPE PROVIDED OR TO THE ADDRESS SET FORTH IN THE VOTING INSTRUCTIONS CONTAINED THEREIN. If you attend the meeting, you may vote your shares in person, which will revoke any previously executed proxy.

If your shares are held of record by a broker, bank or other nominee and you wish to attend the meeting you must obtain a letter from the broker, bank or other nominee confirming your beneficial ownership of the shares and bring it to the meeting. In order to vote your shares at the meeting, you must obtain from the record holder a proxy issued in your name.

Regardless of how many shares you own, your vote is very important. PLEASE VOTE YOUR SHARES OVER THE INTERNET OR BY TELEPHONE OR IF YOU RECEIVED A PAPER PROXY CARD BY MAIL, SIGN, DATE, AND RETURN THE PROXY CARD IN THE ENVELOPE PROVIDED TODAY.

Sincerely,

ERIC LERNER
Senior Vice President and General Counsel

Port Washington, New York
April 24, 2017

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 5, 2017.

Our Proxy Statement and Annual Report are available online at:

www.proxyvote.com

Systemax Inc.
11 Harbor Park Drive
Port Washington, New York 11050

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors (the "Board") of Systemax Inc., a Delaware corporation (the "Company"), for the 2017 Annual Meeting of Stockholders of the Company to be held on June 5, 2017 (the "Annual Meeting"). The Company has made the proxy materials available to stockholders of record as of the close of business on April 13, 2017 at www.proxyvote.com beginning on April 24, 2017 and is first mailing such materials to stockholders that requested printed copies of such materials on or about April 24, 2017.

You can ensure that your Shares of common stock of the Company (the "Shares") are voted at the meeting by voting your Shares over the internet at www.proxyvote.com or by telephone at (800) 690-6903 until 11:59 PM Eastern Time on June 4, 2017 or by signing, dating and promptly returning a proxy, if you received a proxy by mail, in the envelope provided or to the address contained in the voting instructions therein. Voting your Shares over the internet, by telephone or by sending in a signed proxy will not affect your right to attend the meeting and vote in person.

The Company's principal executive offices are located at 11 Harbor Park Drive, Port Washington, New York 11050.

Voting Procedures

Proxies will be voted as specified by the stockholders. Where specific choices are not indicated, proxies will be voted, per the Board's recommendations, FOR Proposals 1, 2 and 3. If any other matters properly come before the Annual Meeting, the persons named in the proxy will vote at their discretion.

Under the Delaware General Corporation Law and the Company's Amended and Restated Certificate of Incorporation and By-Laws, (1) the affirmative vote of a plurality of the outstanding Shares entitled to vote and present, in person or by properly executed proxy, at a meeting at which a quorum is present will be required to elect the nominated directors of the Board (Proposal 1); (2) the affirmative vote of a majority of the outstanding Shares entitled to vote and present, in person or by properly executed proxy, at a meeting at which a quorum is present will be required to approve the *non-binding advisory* resolution on executive compensation (Proposal 2); and (3) the affirmative vote of a majority of the outstanding Shares entitled to vote and present, in person or by properly executed proxy, at a meeting at which a quorum is present will be required to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accountants (Proposal 3).

Messrs. Richard, Bruce and Robert Leeds (each a director and officer of the Company), together with trusts for the benefit of certain members of their respective families and other entities controlled by them, as applicable, beneficially owned as of our record date more than 50% of the Shares outstanding, and they have each separately advised us that they intend to vote all of such Shares they each have the power to vote in accordance with the recommendations of the Board on each of the Proposals identified above, which will be sufficient to constitute a quorum and to determine the outcome of each Proposal.

A quorum is representation in person or by proxy at the Annual Meeting of at least a majority of the outstanding Shares. Abstentions will have no effect on the election of directors (Proposal 1). Abstentions on other matters will be treated as votes cast on particular matters as well as Shares present and represented for purposes of establishing a quorum, with the result that an abstention has the same effect as a negative vote regarding such other matters. Where nominee record holders do not vote on specific issues because they did not receive specific instructions on such issues from the beneficial owners, such broker non-votes will not be treated as votes cast on a particular matter, and will therefore have no effect on the vote, but will be treated as Shares present or represented for purposes of establishing a quorum.

If your Shares are held through a broker, bank or other nominee, you must provide voting instructions to such record holder in accordance with such record holder's requirements in order to ensure that your Shares are properly voted. Please note that the rules regarding how brokers may vote your Shares have changed. Brokers may no longer vote your Shares on the election of directors, or any other non-routine matters, in the absence of your specific instructions as to how to vote. We encourage you to provide instructions to your broker regarding the voting of your Shares. If you do not provide your broker or other nominee with instructions on how to vote your "street name" Shares, your broker or nominee will not be permitted to vote them on such non-routine matters (a broker "non-vote"). Please note that Proposal 1 (Election of Directors) and Proposal 2 (Approval of Executive Compensation) are non-routine matters, and so Shares subject to a broker "non-vote" will not be considered entitled to vote with respect to Proposal 1 and Proposal 2 and will not affect the outcome of the vote on those Proposals.

A list of stockholders of the Company satisfying the requirements of Section 219 of the Delaware General Corporation Law shall be available for inspection for any purpose germane to the Annual Meeting during normal business hours at the offices of the Company at least ten days prior to the Annual Meeting.

Revocability of Proxies

Any person signing a proxy in the form accompanying this proxy statement has the power to revoke it prior to the Annual Meeting or at the Annual Meeting prior to the vote pursuant to the proxy.

A proxy for a stockholder of record may be revoked by any of the following methods:

- by writing a letter delivered to Mr. Eric Lerner, Senior Vice President and General Counsel of the Company, stating that the proxy is revoked;

- by submitting another proxy with a later date (i.e., by signing and submitting a new proxy card or by re-voting by phone or by Internet as instructed above); only your latest proxy card, phone or Internet vote will be counted; or

- by attending the Annual Meeting and voting in person.

Beneficial holders whose Shares are held of record by a broker, bank or other nominee may revoke their proxy at any time before it is voted by following the instructions of their broker, bank or other nominee. In addition, please note, that if a stockholder's Shares are held of record by a broker, bank or other nominee and that stockholder wishes to vote at the Annual Meeting, the stockholder must bring to the Annual Meeting a letter from the broker, bank or other nominee confirming that stockholder's beneficial ownership of the Shares.

On April 13, 2017, the record date, there were outstanding and entitled to vote (excluding Company treasury Shares) 36,948,437 Shares, entitled to one vote per Share. Only stockholders of record at the close of business on the record date will be entitled to vote at the Annual Meeting and at any and all adjournments or postponements thereof. Stockholders will not be entitled to appraisal rights in connection with any of the matters to be voted on at the Annual Meeting.

Internet Posting of Proxy Materials

Why did I receive a notice regarding the internet availability of proxy materials instead of paper copies of the proxy materials?

We have implemented the Securities and Exchange Commission, or SEC, "Notice Only" rule that allows us to furnish our proxy materials over the Internet to our stockholders instead of mailing paper copies of those materials to each stockholder. As a result, beginning on or about April 24, 2017, we sent to most of our stockholders by mail a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials over the Internet and vote online. This notice is not a proxy card and cannot be used to vote your Shares. If you received a notice this year, you will not receive paper copies of the proxy materials unless you request the materials by following the instructions on the notice or on the website referred to in the notice.

If you own Shares of common stock in more than one account—for example, in a joint account with your spouse and in your individual brokerage account—you may have received more than one notice. To vote all of your Shares by proxy, please follow each of the separate proxy voting instructions that you received for your Shares of common stock held in each of your different accounts.

How can I access the proxy materials over the Internet?

Your Notice of the Internet Availability of the proxy materials, proxy card or voting instruction card will contain instructions on how to view our proxy materials for the Annual Meeting on the Internet. Our proxy materials and Annual Report on Form 10-K for fiscal year 2016, as well as the means to vote by Internet, are available at www.proxyvote.com

How may I obtain a paper copy of the proxy materials?

If you receive a Notice of the Internet Availability of the proxy materials, you will find on your notice instructions about how to obtain a paper copy of the proxy materials. If you did not receive the notice, you will receive a paper copy of the proxy materials by mail.

What is "householding"?

SEC rules allow a single copy of the proxy materials or the Notice of Internet Availability of Proxy Materials to be delivered to multiple stockholders sharing the same address and last name, or who we reasonably believe are members of the same family in a manner provided by such rules. This practice is referred to as "householding" and can result in significant savings of paper and mailing costs. In accordance with SEC rules, stockholders sharing the same address and last name, or who we reasonably believe are members of the same family, will receive one copy of the proxy materials or Notice of Internet Availability of Proxy Materials.

How can I find voting results of the Annual Meeting?

We will announce preliminary voting results at the Annual Meeting and we will publicly disclose the results on a Form 8-K within four business days of the Annual Meeting, as required by SEC rules.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

At the Annual Meeting, seven directors are to be elected to serve until their successors have been elected and qualified. Information regarding such nominees is set forth below. Each of the nominees served as a director during fiscal year 2016.

The accompanying proxy will be voted for the election of the Board's nominees unless contrary instructions are given. If any Board nominee is unable to serve, which is not anticipated, the persons named as proxies intend to vote, unless the Board reduces the number of nominees, for such other person or persons as the Board may designate.

If voting by proxy with respect to the election of directors, stockholders may vote in favor of all nominees, withhold their votes as to all nominees or withhold their votes for specific nominees.

There are no family relationships among any of our directors or executive officers or nominees for director or executive officer, except that Messrs. Richard, Bruce and Robert Leeds are brothers. Except as disclosed herein, regarding Messrs. Richard, Bruce and Robert Leeds, there were no arrangements or understandings between any director or nominee for director and any other person pursuant to which such person was selected as a director or nominee for director.

Nominees

Name of Nominee	Principal Occupation	Age	Director Since
Richard Leeds	Executive Chairman	57	April 1995
Bruce Leeds	Vice Chairman	61	April 1995
Robert Leeds	Vice Chairman	61	April 1995
Lawrence Reinhold	President and Chief Executive Officer	57	March 2009
Robert D. Rosenthal	Chairman and Chief Executive Officer of First Long Island Investors LLC	68	July 1995
Stacy Dick	Chief Financial Officer of Julian Robertson Holdings	60	November 1995
Marie Adler-Kravecas	Retired President of Myron Corporation	57	June 2009

Richard Leeds joined the Company in 1982 and served as Chairman and Chief Executive Officer of the Company from April 1995 to March 2016. Mr. Leeds became the Executive Chairman of the Company in March 2016. He also served as President of the Company's Industrial Products group until 2011. Mr. Leeds, together with his brothers Messrs. Bruce and Robert Leeds, are the majority stockholders of the Company and the sons of one of the Company's founders. Mr. Leeds was selected to serve as Executive Chairman of our Board due to his experience and depth of knowledge of the Company and the direct marketing, computer and industrial products industries, his role in developing and managing the Company's business strategies and operations, as well as his exceptional business judgment and leadership qualities.

Bruce Leeds joined the Company in 1977 and has served as Vice Chairman of the Company since April 1995. He also served as President of the Company's International Operations until 2005. Mr. Leeds, together with his brothers Messrs. Richard and Robert Leeds, are the majority stockholders of the Company and the sons of one of the Company's founders. Mr. Leeds was selected to serve as a director on our Board due to his experience and depth of knowledge of the Company and the direct marketing, computer and industrial products industries, his role in developing and managing the Company's business strategies and operations, his experience in international business as well as his exceptional business judgment.

Robert Leeds joined the Company in 1977 and has served as Vice Chairman of the Company since April 1995. He also served as President of the Company's Domestic Operations until 2005 and as Chief Executive of the North American Technology Products Group from 2013 to 2015. Mr. Leeds, together with his brothers Messrs. Richard and Bruce Leeds, are the majority stockholders of the Company and the sons of one of the Company's founders. Mr. Leeds was selected to serve as a director on our Board because of his experience and depth of knowledge of the Company and the direct marketing, computer and industrial products industries, his role in developing and managing the Company's business strategies and operations, his significant computer and technology industry experience as well as his exceptional business judgment.

Lawrence Reinhold joined the Company in January 2007 and served as Executive Vice President and Chief Financial Officer from that date until October 2016. Mr. Reinhold became the Company's President and Chief Executive Officer in March 2016. In this expanded role, he assumed overall responsibility for the Company's operations, including all lines of business and functional groups. Mr. Reinhold has served as a director since March 2009. Additionally, prior to joining the Company, Mr. Reinhold was the Chief Financial Officer of a publicly traded developer and manufacturer of medical devices; the Chief Financial Officer of a publicly traded communications software company; and a regional Managing Partner of a Big 4 International Public Accounting Firm. Mr. Reinhold is a Certified Public Accountant. From 2011 through 2013, he also served on the board of directors and audit committee of Pulse Electronics, a publicly traded electronics manufacturer. Mr. Reinhold was selected to serve as a director on our Board due to his contributions since joining the Company and his extensive experience and expertise in business, strategy, finance, accounting, SEC reporting, public company management, mergers and acquisitions and financial systems as well as his serving as a CFO of other public technology companies and a partner with an international accounting firm.

Robert D. Rosenthal has served as an independent director of the Company since July 1995. He has been the lead independent director since October 2006. Mr. Rosenthal is Chairman and Chief Executive Officer of First Long Island Investors LLC, which he co-founded in 1983. Mr. Rosenthal is the Chairman and CEO of a wealth management company that invests in numerous public companies and is also an attorney and member of the bar of the State of New York. Mr. Rosenthal was selected to serve as a director on our Board due to his financial, investment and legal experience and acumen.

Stacy Dick has served as an independent director of the Company since November 1995. Mr. Dick has served as Chief Financial Officer of Julian Robertson Holdings since November 2008 and, since 2011, as Chief Financial Officer of Tiger Management Advisors LLC. Mr. Dick was a Managing Director of Rothschild Inc. from 2001 to 2008 and served as an executive of other entities controlled by Rothschild family interests. He has served as an adjunct professor of finance at the Stern School of Business (NYU) since 2004 and adjunct professor of law at NYU Law School since 2012. Mr. Dick was selected to serve as a director on our Board due to his exceptional knowledge and experience in the areas of business, finance and economics.

Marie Adler-Kravecas has served as an independent director of the Company since June 2009. Ms. Adler-Kravecas joined Myron Corporation, an international, business-to-business direct marketing company, in 1984 and served as President from 1999 to 2004. In 2005, Ms. Adler-Kravecas founded Wellconnected, LLC, a consumer direct marketing company which was sold in 2008. Ms. Adler-Kravecas is currently retired. She is a former member of both the Young President’s Organization and The Executive Group. Ms. Adler-Kravecas currently sits on the Boards of The Armory Art Center & Rockleigh Home for the Aged. Ms. Adler-Kravecas was selected to serve as a director on our Board due to her practical experience in direct marketing and international business.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF ALL THE DIRECTOR NOMINEES, WHICH IS DESIGNATED AS PROPOSAL NO. 1.

CORPORATE GOVERNANCE

Independence of Directors

In connection with its annual review of director independence, the Board has determined that each of the following directors or nominees of the Company meets the standards for independence required by the New York Stock Exchange and Securities and Exchange Commission rules: Mr. Rosenthal, Mr. Dick and Ms. Adler-Kravecas. The Board made this determination based on (a) the absence of any of the express disqualifying criteria relating to director independence set forth in Section 303A of the Corporate Governance Rules of the New York Stock Exchange and (b) the criteria for independence required of audit committee directors by Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act.

Although the Board has not adopted categorical standards of materiality for independence purposes (other than those set forth in the NYSE listing standards and the Exchange Act), information provided by the directors to the Company did not indicate any relationships (e.g., commercial, industrial, banking, consulting, legal, accounting, charitable, or familial) which would impair the independence of any of the non-employee directors. The Board has determined that there is no material relationship between the Company and each of Mr. Rosenthal, Mr. Dick and Ms. Adler-Kravecas (directly or as a partner, stockholder, or officer of an organization that has a relationship with the Company) and that each of them is independent pursuant to the NYSE listing standards. In making its determination, the Board took into consideration that certain Systemax directors and executive officers have each invested funds with or through a private investment firm, of which Mr. Rosenthal is Chairman and CEO (and which firm receives fees in respect of such investments), and may continue to do so in the future. The Board (in each case with Mr. Rosenthal and the investing directors being recused) determined that such relationship was not material to Mr. Rosenthal. In addition, in making its determination, the Board took into consideration that the asset management firm of which Mr. Dick is the CFO invests proprietary and third-party capital in a number of investment funds that are managed by independent investment advisory firms. Some Systemax executive officers and directors have made investments in these independently managed funds. Mr. Dick does not receive any direct or indirect compensation from any of these funds or their independent advisory firms. The Board (in each case with Mr. Dick and the investing directors being recused) determined that such relationship was not material to Mr. Dick.

As a "controlled company," the Company is exempt from the New York Stock Exchange requirement that listed companies have a majority of independent directors. A "controlled company" is defined by the New York Stock Exchange as a company of which more than 50% of the voting power for the election of directors is held by an individual, group or other company. The Company is a "controlled company" in that more than 50% of the voting stock for the election of directors of the Company, in the aggregate, is owned by certain members of the Leeds family (including Messrs. Richard, Bruce and Robert Leeds, each of whom is an officer and director of the Company) and certain Leeds' family trusts and other entities controlled by them (collectively, the "Leeds Group"). The members of the Leeds Group have entered into a Stockholders Agreement with respect to certain Shares they each own. See "Transactions with Related Persons" below.

Meetings of Non-Management Directors

The New York Stock Exchange requires the "non-management directors" or independent directors of a NYSE-listed company to meet at regularly scheduled executive sessions without management and to disclose in their annual proxy statements (1) the name of the non-management director who is chosen to preside at all regularly-scheduled executive sessions of the non-management members of the board of directors and (2) a method for all interested parties to communicate directly with the presiding director or with the non-management directors as a group (this method is described below under "Communications with Directors"). The Board's non-management or independent directors meet separately in executive sessions, chaired by the Lead Independent Director (currently Mr. Rosenthal), at least quarterly.

Corporate Governance Guidelines

The Company has adopted Corporate Governance Guidelines, which are available on the Corporate Governance page of our website at *www.systemax.com*. The Corporate Governance Guidelines were last amended in March 2017.

Our Corporate Governance Guidelines establish our corporate governance principles and practices on a variety of topics, including the responsibilities, composition and functioning of the Board. The Nominating/Corporate Governance Committee assesses the Guidelines annually and makes recommendations to the Board on any changes to implement. Our Guidelines address, among other things:

- the role and functions of our Board of Directors and management;
- director qualifications, including our director independence standards and director nomination and selection;
- the requirement to hold separate executive sessions of the independent directors;
- the conduct of Board meetings;

- policies for setting director compensation;
- director orientation and continuing education;
- policies regarding director access to management, employees and independent advisors; and
- the annual self-assessment of the Board to evaluate its own effectiveness.

Corporate Ethics Policy

The Company has adopted a Corporate Ethics Policy that applies to all employees of the Company, including the Company's Chief Executive Officer, Chief Financial Officer and Controller, its principal accounting officer. The Corporate Ethics Policy is designed to deter wrongdoing and to promote honest and ethical conduct, compliance with applicable laws and regulations, full and accurate disclosure of information requiring public disclosure and the prompt reporting of Policy violations. The Company's Corporate Ethics Policy is available on the Company's website (*www.systemax.com*). We intend to disclose on our website, in accordance with applicable laws and regulations, amendments to, or waivers from, our Corporate Ethics Policy. Our Corporate Ethics Policy was last amended in October 2016.

Communications with Directors

Stockholders of the Company who wish to communicate with the Board or any individual director can write to Systemax Inc., Attention: Investor Relations, 11 Harbor Park Drive, Port Washington, NY 11050 or send an email to investinfo@systemax.com. Your letter or email should indicate that you are a stockholder of the Company. Depending on the subject matter of your inquiry, management will forward the communication to the director or directors to whom it is addressed; attempt to handle the inquiry directly, as might be the case if you request information about the Company or if it is a stockholder related matter; or not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic. Interested parties, including non-stockholders wishing to communicate directly with the Lead Independent Director or the non-management members of the Board as a group should address their inquiries by mail sent to the attention of Mr. Robert D. Rosenthal, Lead Independent Director, at the Company's principal executive office located at 11 Harbor Park Drive, Port Washington, NY 11050. All communications will be promptly relayed to the appropriate recipient(s).

Interested parties, including non-stockholders wishing to communicate directly with the Chairman of the Audit Committee or the Audit Committee as a group should address their inquiries by mail to the attention of Mr. Stacy Dick, Audit Committee Chairman, at the Company's principal executive office located at 11 Harbor Park Drive, Port Washington, NY 11050. All communications will be promptly relayed to the appropriate recipient(s).

Director Attendance at Annual Stockholders Meetings

At last year's annual meeting of stockholders held on June 6, 2016, two directors attended the meeting. The Company does not have a policy with regards to directors' attendance at the Company's annual meeting of stockholders.

Board Meetings

During fiscal year 2016, the Board of Directors held seven meetings, the Audit Committee held six meetings; the Compensation Committee held six meetings; the Nominating/Corporate Governance Committee held six meetings; and the Executive Committee held no meetings. Mr. Dick did not attend at least 75% of the meetings of the Board. Each of the directors attended at least 75% of the committee meetings of the Board of which they were members.

Committees of the Board

The Board of Directors has the following standing committees:

Audit Committee

The Audit Committee is appointed by the Board to assist the Board with oversight of (i) the integrity of the financial statements of the Company, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independence and qualifications of the Company's external auditors, and (iv) the performance of the Company's internal audit function and external auditors. It is the Audit Committee's responsibility to retain or terminate the Company's independent registered public accountants, who audit the Company's financial statements, and to prepare the Audit Committee report that the Securities and Exchange Commission requires to be included in the Company's Annual Proxy Statement. (See "Report of the Audit Committee" below.) As part of its activities, the Audit Committee meets with the Company's independent registered public accountants at least annually to review the scope and results of the annual audit and quarterly to discuss the review of the quarterly financial results. In addition, the Audit Committee receives and considers the independent registered public accountants' comments and recommendations as to internal controls, accounting staff, management performance and auditing procedures. The Audit Committee is also responsible for establishing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

In addition, the Audit Committee is responsible for reviewing, and discussing with management and reporting to the Board regularly, the Company's risk assessment and risk management processes. While it is the job of senior management to assess and manage the Company's exposure to risk under the oversight of the Board of Directors, the Audit Committee reviews and discusses with management the Company's risk management process. In addition, the Audit Committee works together with the Compensation Committee regarding the Company's compensation policies for all of the Company's employees as the policies relate to the Company's risk management goals and objectives. The Audit Committee also discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

The Audit Committee Charter was last amended in March 2017. A copy of the Audit Committee Charter is attached hereto as Appendix A and also available on the Company's website, *www.systemax.com*.

The current members of the Audit Committee are Mr. Dick (Chairman), Mr. Rosenthal and Ms. Adler-Kravecas. None of the current members or nominees of the Audit Committee are officers or employees of the Company. The Committee meets regularly both with and without management participation. As noted above, in the judgment of the Board, each of the members of the Audit Committee meets the standards for independence required by the rules of the Securities and Exchange Commission and the New York Stock Exchange. In addition, the Board has determined that Mr. Dick and Mr. Rosenthal are "audit committee financial experts" as defined by regulations of the Securities and Exchange Commission.

The Company does not have a standing policy on the maximum number of audit committees of other publicly owned companies on which the members of the Audit Committee may serve. However, if a member of the Audit Committee simultaneously serves on the audit committee of more than two other publicly-owned companies, the Board must determine whether such simultaneous service would impair the ability of such member to effectively serve on the Audit Committee. Any such determination will be disclosed in the Company's annual proxy statement.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee's responsibilities include, among other things (i) identifying individuals qualified to become Board members and recommending to the Board nominees to stand for election at any meeting of stockholders, (ii) identifying and recommending nominees to fill any vacancy, however created, in the Board, and (iii) developing and recommending to the Board a code of business conduct and ethics and a set of corporate governance principles (including director qualification standards, responsibilities and compensation) and periodically reviewing the code and principles. The current members of the Nominating/Corporate Governance Committee are Mr. Rosenthal (Chairman), Mr. Dick and Ms. Adler-Kravecas. In nominating candidates to become Board members, the Committee shall take into consideration such factors as it deems appropriate, including the experience, skill, integrity and background of the candidates. The Committee may consider candidates proposed by management or stockholders but is not required to do so. The Committee does not have any formal policy with regard to the consideration of any director candidates recommended by the security holders or any minimum qualifications or specific procedure for identifying and evaluating nominees for director as the Board does not believe that such a formalistic approach is necessary or appropriate at this time.

The Nominating/Corporate Governance Committee is responsible for developing and recommending to the Board a set of risk management policies and procedures, including the Company's compensation policies for all its employees as they relate to risk management, and to review these policies and procedures annually.

The Nominating/Corporate Governance Committee, in seeking qualified Board members, does not have a policy regarding utilizing diversity, however defined, in its selection process. The Nominating/Corporate Governance Committee looks for individuals who have very high integrity, significant business experience and a deep genuine interest in the Company. We believe that each of the director nominees and other directors bring these qualifications to our Board of Directors. Moreover, they provide our board with a diverse complement of specific business skills, experience and perspectives.

The Nominating/Corporate Governance Committee Charter was last amended in January 2015. The Nominating/Corporate Governance Committee Charter is available on the Company's website (*www.systemax.com*).

Compensation Committee

The Compensation Committee's responsibility is to review and approve corporate goals relevant to the compensation of the Chief Executive Officer and, after an evaluation of the Chief Executive Officer's performance in light of such goals, to set the compensation of the Chief Executive Officer. The Compensation Committee also approves (a) the annual compensation of the other executive officers of the Company, (b) the annual compensation of certain subsidiary managers, and (c) all individual stock-based incentive grants. The Committee is also responsible for reviewing and making periodic recommendations to the Board with respect to the general compensation, benefits and perquisite policies and practices of the Company including the Company's incentive-based and equity-based compensation plans. The Compensation Committee also prepares an annual report on executive compensation for inclusion in the annual proxy statement. (See "Compensation Committee Report to Stockholders" below). The Compensation Committee also reviews and approves the performance and compensation of the Company's Executive Chairman and Vice Chairmen. The current members of the Compensation Committee are Mr. Rosenthal (Chairman), Mr. Dick and Ms. Adler-Kravecas.

In addition, it is the Compensation Committee's responsibility to consider, and work together with the Company's Audit Committee regarding, the Company's compensation policies for all its employees in the context of how such policies affect and promote the Company's risk management goals and objectives.

The Compensation Committee Charter was last amended in May 2013. The Compensation Committee Charter is available on the Company's website (*www.systemax.com*).

Executive Committee

The Executive Committee consists of the Executive Chairman of the Board and any Vice Chairman and such other directors as may be named thereto by the Board. The current members of the Executive Committee are Messrs. Richard Leeds, Bruce Leeds, Robert Leeds and Robert D. Rosenthal, the Lead Independent Director. Among other duties as may be assigned by the Board from time to time, the Executive Committee is authorized to oversee the operations of the Company, supervise the executive officers of the Company, review and make recommendations to the Board regarding the strategic direction of the Company and review and make recommendations to the Board regarding all possible acquisitions or other significant business transactions. The Executive Committee is also authorized to manage the affairs of the Corporation between meetings of the Board; the Committee has all of the powers of the Board not inconsistent with any provisions of the Delaware General Corporation Law, the Company's Certificate of Incorporation or By-Laws or other resolutions adopted by the Board, but does not generally exercise such authority.

Stockholder Nominations for Director

Stockholders may propose candidates for Board membership by writing to Systemax Inc., Attention: Nominating/Corporate Governance Committee, 11 Harbor Park Drive, Port Washington, NY 11050 so that the nomination is received by the Company by December 26, 2017 to be considered for the 2018 annual meeting. Any such proposal shall contain the name, Company security holdings (direct or indirect; of record and/or beneficially) and contact information of the person making the nomination; a description of all direct and indirect related party transactions, compensation and other material monetary arrangements, agreements or understandings during the past three years, and any other material relationship, if any, between the stockholder and its respective affiliates or associates, or others with whom they are acting in concert, on the one hand, and the nominee and his or her respective affiliates, associates and others with whom they are acting in concert, on the other hand; the nominee's name, age, address and other contact information; any direct or indirect holdings, beneficially and/or of record, of the Company's securities by the nominee; any information regarding the nominee required to be disclosed about directors under applicable securities laws and/or stock exchange requirements; information regarding related party transactions with the Company and/or the stockholder submitting the nomination and/or the nominee; any actual or potential conflicts of interest; the nominee's biographical data, current public and private company affiliations, employment history (including current principal employment) and qualifications and status as "independent" under applicable securities laws and stock exchange requirements. Nominees proposed by stockholders will receive the same consideration as other nominees.

Board Leadership Structure

As noted above, our Board currently includes three independent directors. Our independent directors have designated Mr. Rosenthal, one of the independent directors, to be the Lead Independent Director. We believe that the current mix of employee directors and non-employee independent directors that make up our Board, along with the independent oversight of our Lead Independent Director, benefits the Company and its stockholders.

Although the Board does not have an express policy on whether or not the roles of Chief Executive Officer and Executive Chairman of the Board should be separate and if they are to be separate, whether the Executive Chairman of the Board should be selected from the non-employee directors or be an employee, the Board believes that it should have the flexibility to make a determination from time to time in a manner that is in the best interests of the Company and its stockholders at the time of such determination. Our Board of Directors believes that the most effective Board leadership structure for our Company at the present time, is for the roles of Chief Executive Officer and Executive Chairman of the Board to be separated, and that our Executive Chairman and two Vice Chairmen also have management roles, so that our Executive Chairman and Vice Chairmen and our Chief Executive Officer can focus their attention on different aspects of the strategic and operating challenges and opportunities ahead for the Industrial Products Group and the France technology Value Added Reseller business. Therefore, as noted above, in March 2016 the Board approved an executive management succession plan and effective March 10, 2016, Mr. Reinhold assumed the role as the Company's President and Chief Executive Officer. In this expanded role, he assumed overall responsibility for the Company's operations, including all lines of business and functional groups. Mr. Richard Leeds assumed the role of Executive Chairman and, along with the Vice Chairmen, is guiding the Company's long-term strategic direction. Messrs. Leeds possesses in-depth knowledge of the issues and challenges facing the Company and its businesses and are thus best positioned to identify and develop the strategic opportunities to be considered by the Board and the matters that are most critical to the Company and its stockholders.

The Board believes that the independent directors provide effective oversight of management. Moreover, in addition to feedback provided during the course of Board meetings, the independent directors have regular executive sessions. Following an executive session of independent directors, the Lead Independent Director acts as a liaison between the independent directors and the Executive Chairman regarding any specific feedback or issues, provides the Executive Chairman with input regarding agenda items for Board and Committee meetings, and coordinates with the Executive Chairman regarding information to be provided to the independent directors in performing their duties.

Lead Independent Director

The independent directors elect one independent director to serve as a Lead Independent Director. In addition to presiding at executive sessions of nonemployee directors, the Lead Independent Director has the responsibility to coordinate the activities of the independent directors, and to perform the following functions: (a) advise the Executive Chairman of the Board as to an appropriate schedule of Board meetings, seeking to ensure that the independent directors can perform their duties responsibly while not interfering with the flow of the Company's operations; (b) provide the Executive Chairman with input as to the preparation of agendas for the Board and committee meetings; (c) advise the Executive Chairman as to the quality, quantity, and timeliness of the flow of information from the Company's management that is necessary for the independent directors to effectively and responsibly perform their duties, and although the Company's management is responsible for the preparation of materials for the Board, the Lead Independent Director may specifically request the inclusion of certain material; (d) recommend to the Executive Chairman the retention of consultants who report directly to the Board; (e) assist the Board and the Company's officers in assuring compliance with and implementation of the corporate governance policies; and be principally responsible for recommending revisions to the corporate governance policies; (f) coordinate and develop the agenda for, and moderate executive sessions of, the independent directors of the Board, and act as principal liaison between the independent directors and the Executive Chairman on sensitive issues; and (g) recommend to the Executive Chairman the membership of the various Board committees.

Our Board conducts an annual evaluation in order to determine whether it and its committees are functioning effectively. As part of this annual self-evaluation, the Board evaluates whether the current leadership structure continues to be optimal for the Company and its stockholders. Our Corporate Governance Guidelines, as amended in April 2010, provide the flexibility for our Board to modify or continue our leadership structure in the future, as it deems appropriate. As noted above, in March 2016 the Board approved an executive management succession plan and effective March 10, 2016, Mr. Richard Leeds assumed the role of Executive Chairman and Mr. Reinhold assumed the role as the Company's President and Chief Executive Officer and Messrs. Robert and Bruce Leeds will continue to serve as Vice Chairmen.

Risk Oversight

Our Board as a whole is responsible for overseeing the Company's risk management process. The Board focuses on the Company's general risk management strategy, the most significant risks facing the Company, and seeks to ensure that appropriate risk mitigation strategies are implemented by management. Risk management is a recurring Audit Committee and Board quarterly agenda item, and is considered part of strategic planning. The Board is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and receives information relating to material Company risk from management and from the Company's Legal, Risk Management/Insurance and Internal Audit Departments.

The Board has delegated to each of its committees oversight of certain aspects of the Company's risk management process. Among its duties, the Audit Committee reviews with management (a) Company processes with respect to risk assessment and management of risks that may be material to the Company, (b) the Company's system of disclosure controls and system of internal controls over financial reporting, and (c) the Company's compliance with legal and regulatory requirements. The Compensation Committee is responsible for considering and working together with the Audit Committee regarding the Company's compensation policies for all its employees in the context of how such policies affect and promote the Company's risk management goals and objectives. The Nominating/Corporate Governance Committee is responsible for developing and recommending to the Board a set of risk management policies and procedures, including the Company's compensation policies for all its employees as they relate to risk management, and to review these policies and procedures annually. All committees report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise level risk.

The Company's senior management is responsible for day-to-day risk management. Our Internal Audit Department serves as the primary monitoring and testing function for company-wide policies and procedures, and manages the day-to-day oversight of the risk management strategy for the ongoing business of the Company. This oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, compliance and reporting levels. The Internal Auditor reports directly to our Chief Executive Officer and Audit Committee quarterly, and the Audit Committee considers risk management issues as part of its quarterly agenda.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing the Company and that our Board leadership structure supports this approach.

REPORT OF THE AUDIT COMMITTEE*

The Audit Committee of the Board operates under its Charter, which was originally adopted by the Board in 2000 and was most recently revised in March 2017. As set forth in its Charter, the Audit Committee's job is one of oversight. Management is responsible for the Company's financial statements, internal accounting and financial controls, the financial reporting process, the internal audit function and compliance with the Company's policies and legal requirements. The Company's independent registered public accountants are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with standards of the Public Company Accounting Oversight Board (United States) and for issuance of a report thereon, and for monitoring the effectiveness of the Company's internal controls; they also perform limited reviews of the Company's unaudited quarterly financial statements.

The Audit Committee's responsibility is to engage the independent registered public accountants, monitor and oversee these accounting, financial and audit processes and report its findings to the full Board. It also investigates matters related to the Company's financial statements and controls as it deems appropriate. In the performance of these oversight functions, the members of the Audit Committee rely upon the information, opinions, reports and statements presented to them by Company management and by the independent registered public accountants, as well as by other experts that the Committee hires.

The Audit Committee met with the Company's independent auditors to review and discuss the overall scope and plans for the audit of the Company's consolidated financial statements for the year ended December 31, 2016. The Audit Committee has considered and discussed with management and the independent auditors (both alone and with management present) the audited financial statements as well as the independent auditors' evaluation of the Company's internal controls and the overall quality of the Company's financial reporting.

Management represented to the Audit Committee that the Company's consolidated financial statements for fiscal year 2016 were prepared in accordance with U.S. generally accepted accounting principles. In connection with these responsibilities, the Audit Committee met with management and Ernst & Young LLP to review and discuss the December 31, 2016 audited consolidated financial statements. The Audit Committee also discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61 Communication with Audit Committees), as amended and as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee also received written disclosures and the letter from Ernst & Young LLP required by Rule 3526 of the Public Company Accounting Oversight Board (Communications with Audit Committees Concerning Independence), and the Audit Committee discussed with Ernst & Young LLP the firm's independence.

Based on the review of the representations of management, the discussions with management and the independent registered public accountants and the review of the Report of Ernst & Young LLP, Independent Registered Public Accounting Firm, to the Committee, the Audit Committee recommended to the Board that the financial statements of the Company for fiscal year 2016 as audited by Ernst & Young LLP be included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

AUDIT COMMITTEE
Stacy Dick (Chairman)
Robert D. Rosenthal
Marie Adler-Kravecas

* The information contained in this Audit Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any filings under the Securities Act of 1933, as amended, which we refer to as the Securities Act, or under the Exchange Act, except to the extent that we specifically incorporate this information by reference into any such filing.

EXECUTIVE OFFICERS

There are no arrangements or understandings between any officer and any other person pursuant to which such person was selected as an officer.

The following table sets forth certain information with respect to the executive officers of the Company as of April 13, 2017.

Name	Age	Position
Richard Leeds	57	Executive Chairman; Director
Bruce Leeds	61	Vice Chairman; Director
Robert Leeds	61	Vice Chairman; Director
Lawrence Reinhold	57	President and Chief Executive Officer; Director
Thomas Clark	35	Vice President and Chief Financial Officer
Robert Dooley	63	President of the Company's Industrial Products Group
Eric Lerner	59	Senior Vice President and General Counsel
Manoj Shetty	56	Senior Vice President and Chief Information Officer
Thomas Axmacher	58	Vice President and Controller

For biographical information about Messrs. Richard Leeds, Bruce Leeds, Robert Leeds and Lawrence Reinhold, see pages 9 and 10 of this Proxy Statement.

Thomas Clark was appointed Vice President and Chief Financial Officer of the Company in October 2016. Mr. Clark originally joined the Company in 2007. During the past ten years Mr. Clark, has served in a number of senior financial positions at the Company, most recently as Controller of the Industrial Products Group. Previously he held the positions of Director of Finance, and Manager Financial Planning & Analysis at the Company.

Robert Dooley was appointed President of the Company's Industrial Products Group in January 2012. Mr. Dooley originally joined the Company in 1982 and served in numerous roles until March 2004, including Senior Vice President, Worldwide Computer Sales and Marketing. He also was a director of the Company from June 1995 through March 2004. Mr. Dooley left the Company in 2004 but returned in December 2007 as Vice President, Internet Marketing of the Industrial Products Group.

Eric Lerner was appointed Senior Vice President and General Counsel in May 2012. He was previously a senior corporate partner at Kramer Levin Naftalis & Frankel, a corporate partner, Co-Chair of the National Corporate Department and member of the Board of Directors of Katten Muchin Zavis Rosenman, and a corporate partner and Chair of the Corporate Department of Rosenman & Colin.

Thomas Axmacher was appointed Vice President and Controller of the Company in October 2006. He was previously Chief Financial Officer of Curative Health Services, Inc., a publicly traded health care company, and Vice President and Controller of Tempo Instrument Group, an electronics manufacturer.

Manoj Shetty was appointed Senior Vice President and Chief Information Officer of the Company in August 2014. Mr. Shetty originally joined the Company in 2000 and has served in several Information Technology roles since that time. Prior to joining Systemax, Mr. Shetty was employed at Mercator (ultimately acquired by IBM) and in the manufacturing sector.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides certain information regarding the beneficial ownership of the Shares as of April 13, 2017, by (i) each of the directors, (ii) each of the Named Executive Officers listed in the Summary Compensation table, (iii) all current directors and executive officers as a group and (iv) each person known to the Company to be the beneficial owner of more than 5% of any class of the Company's voting securities.

As used in this table "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. A person is deemed as of any date to have "beneficial ownership" of any security that such person owns or has a right to acquire within 60 days after such date. Any security that any person named above has the right to acquire within 60 days is deemed to be outstanding for purposes of calculating the ownership percentage of such person, but is not deemed to be outstanding for purposes of calculating the ownership percentage of any other person. Unless otherwise stated, each person owns the reported Shares directly and has the sole right to vote and determine whether to dispose of such Shares. The address for each beneficial owner, unless otherwise noted is c/o Systemax Inc., 11 Harbor Park Drive, Port Washington, NY 11050.

A total of 36,948,437 Shares were outstanding as of April 13, 2017.

	Amount and Nature of Beneficial Ownership (a)	Percent of Class
Richard Leeds (1)	12,643,830	34.2%
Bruce Leeds (2)	11,277,452	30.5%
Robert Leeds (3)	12,705,136	34.4%
Lawrence Reinhold (4)	369,204	*
Thomas Clark (5)	17,311	*
Robert Dooley (6)	135,614	*
Eric Lerner (7)	92,311	*
Robert D. Rosenthal (8)	67,655	*
Stacy Dick (9)	40,531	*
Marie Adler-Kravecas (10)	26,303	*
All current directors and executive officers of the Company (12 persons) (11)	25,663,105	69.5%
<u>Other Beneficial Owners of 5% or More of the Company's Voting Stock</u>		
Prescott General Partners LLC (12) 2200 Butts Road, Suite 320 Boca Raton, FL 33431	2,118,192	5.7%

(a) Amounts listed in this column may include Shares held in partnerships or trusts that are counted in more than one individual's total.

* less than 1%

(1) Includes 2,850,315 Shares owned by Mr. Richard Leeds directly, 1,295,148 Shares owned by the Richard Leeds 2016 GRAT, 906,745 Shares owned by the Richard Leeds 2015 GRAT, and 299,868 Shares owned by the Richard Leeds 2012 GRAT. Also, includes 1,838,583 Shares owned by a limited partnership of which Mr. Richard Leeds is a general partner, 235,850 Shares owned by a limited partnership of which a limited liability company controlled by Mr. Richard Leeds is the general partner, 4,697,521 Shares owned by trusts for the benefit of his brothers' children for which Mr. Richard Leeds acts as co-trustee and 519,800 Shares owned by a limited partnership in which Mr. Richard Leeds has an indirect pecuniary interest.

(2) Includes 2,366,859 Shares owned by Mr. Bruce Leeds directly, 1,805,224 Shares owned by the Bruce Leeds 2016 GRAT, 423,148 Shares owned by the Bruce Leeds 2015 GRAT, and 191,831 Shares owned by the Bruce Leeds 2012 GRAT. Also, includes 1,838,583 Shares owned by a limited partnership of which Mr. Bruce Leeds is a general partner, 4,132,007 Shares owned by trusts for the benefit of his brothers' children for which Mr. Bruce Leeds acts as co-trustee and 519,800 Shares owned by a limited partnership in which Mr. Bruce Leeds has an indirect pecuniary interest.

(3) Includes 830,556 Shares owned by Mr. Robert Leeds directly, 1,564,897 Shares owned by the Robert Leeds 2016 GRAT, 1,269,444 Shares owned by the Robert Leeds 2015 GRAT, 593,337 Shares owned by the Robert Leeds 2015 GRAT, and 318,834 Shares owned by the Robert Leeds 2012 GRAT. Also, includes 1,838,583 Shares owned by a limited partnership of which Mr. Robert Leeds is a general partner, 4,685,656 Shares owned by trusts for the benefit of his brothers' children for which Mr. Robert Leeds acts as co-trustee and 519,800 Shares owned by a limited partnership in which Mr. Robert Leeds has an indirect pecuniary interest.

(4) Includes options to acquire a total of 150,000 Shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company’s 1999 Long-Term Stock Incentive Plan, options to acquire a total of 62,500 Shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company’s 2010 Long-Term Incentive Plan and 17,500 restricted stock units granted pursuant to the Company’s 2010 Long-Term Incentive Plan that will vest within 60 days.

(5) Includes options to acquire a total of 12,500 Shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company’s 2010 Long-Term Incentive Plan.

(6) Includes options to acquire a total of 10,000 Shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company’s 1999 Long-Term Stock Incentive Plan, options to acquire a total of 62,500 Shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company’s 2010 Long-Term Incentive Plan.

(7) Includes options to acquire a total of 87,500 Shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company’s 2010 Long-Term Incentive Plan.

(8) Includes 4,435 restricted stock units granted pursuant to the Company’s 2006 Stock Incentive Plan for Non-Employee Directors that will vest within 60 days.

(9) Includes 4,435 restricted stock units granted pursuant to the Company’s 2006 Stock Incentive Plan for Non-Employee Directors that will vest within 60 days.

(10) Includes options to acquire a total of 5,000 Shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company’s 2006 Stock Incentive Plan for Non-Employee Directors and 4,435 restricted stock units granted pursuant to the Company’s 2006 Stock Incentive Plan for Non-Employee Directors that will vest within 60 days.

(11) Includes options to acquire a total of 17,500 Shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company’s 1999 Long-Term Stock Incentive Plan and options to acquire a total of 65,000 Shares that are currently exercisable or become exercisable within 60 days pursuant to the terms of the Company’s 2010 Long-Term Incentive Plan.

(12) Based on information supplied by Prescott General Partners LLC (“PGP”), Prescott Associates L.P. (“Prescott Associates”), Prescott Investors Profit Sharing Trust (“PIPS”) and Thomas W. Smith in a Schedule 13G/A filed with the SEC on February 14, 2017. The Schedule 13G/A modifies the Schedule 13G to reflect, among other things, (i) the addition of PIPS as a Reporting Person and (ii) the removal of Scott J. Vassalluzzo as a Reporting Person.

PGP, as the general partner of three private investment limited partnerships (including Prescott Associates) (collectively, the “Partnerships”) may be deemed to share the power to vote or to direct the vote and to dispose or to direct the disposition of 2,118,192 shares held by the Partnerships. Prescott Associates has the shared power to vote or to direct the vote and to dispose or to direct the disposition of 2,044,691 shares. PIPS has the sole power to vote or to direct the vote of and to dispose or to direct the disposition of 92,018 shares. Mr. Smith has the sole power to vote or to direct the vote of and to dispose or to direct the disposition of 600,000 shares held by Ridgeview Smith Investments LLC, a limited liability company established by Mr. Smith and of which he is the sole member. In his capacity as investment manager for certain managed accounts, Mr. Smith may be deemed to have the shared power to vote or to direct the vote of 76,500 shares and to dispose or to direct the disposition of 76,500 shares. Voting and investment authority over investment accounts established for the benefit of certain family members and friends of Mr. Smith is subject to each beneficiary’s right, if so provided, to terminate or otherwise direct the disposition of the investment account.

The 13G/A is Amendment No. 7 to the joint filing on Schedule 13G by Thomas W. Smith, Scott J. Vassalluzzo and Steven M. Fischer originally filed with the SEC on July 13, 2009, as amended by Amendment No. 1 filed with the SEC on February 16, 2010, Amendment No. 2 filed with the SEC on February 14, 2011, Amendment No. 3 filed by PGP, Thomas W. Smith and Scott J. Vassalluzzo with the SEC on January 5, 2012, Amendment No. 4 filed by PGP, Thomas W. Smith and Scott J. Vassalluzzo with the SEC on February 14, 2013, Amendment No. 5 filed by PGP, Prescott Associates, Thomas W. Smith and Scott J. Vassalluzzo with the SEC on February 14, 2014, and Amendment No. 6 filed by PGP, Prescott Associates, Thomas W. Smith and Scott J. Vassalluzzo with the SEC on February 13, 2015. The address of the parties is 2200 Butts Road, Suite 320, Boca Raton, FL 33431.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company’s executive officers and directors and persons who own more than ten percent of a registered class of the Company’s equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, directors and ten-percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of Section 16(a) forms received by it, or written representations from certain reporting persons, the Company believes its executive officers, directors and ten-percent stockholders complied with all such filing requirements for fiscal year 2016, except for the following filings made on behalf of the named persons that were inadvertently filed late by the Company: Form 4s filed with the SEC on March 10, 2016 for Messrs. Reinhold, Dooley, Lerner, Shetty, Axmacher and Simon Taylor (a former executive officer).

TRANSACTIONS WITH RELATED PERSONS

Under the Company's Corporate Ethics Policy, all officers, directors and employees (collectively the "Company Representatives") are required to avoid conflicts of interest, appearances of conflicts of interest and potential conflicts of interest. A "conflict of interest" occurs when a Company Representative's private interest interferes in any way with the interests of the Company. A conflict can arise when a Company Representative takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest also arise when a Company Representative, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. Company Representatives cannot allow any consideration such as the receipt of gifts or financial interests in other businesses or personal or family relationships to interfere with the independent exercise of his or her business judgment and work activities to the benefit of the Company. Loans to, or guarantees of obligations of, Company Representatives are prohibited unless permitted by law and authorized by the Board or a Committee designated by the Board. If a Company Representative becomes aware of a potential conflict of interest he or she must communicate such potential conflict of interest to the Company.

The Company's written corporate approval policy requires transactions with related persons, including but not limited to leases with related persons and sales or purchases of Company assets by related persons, to be reviewed and approved or ratified by the Company's Nominating/Corporate Governance Committee as well as by the Company's Chief Executive Officer, Chief Financial Officer and General Counsel. In this regard, all such transactions are first discussed with the Chief Financial Officer and are submitted to the General Counsel's office, including for an initial determination of whether such further related person transaction review is required. The Company utilizes the definition of related persons under applicable SEC rules, defined as any executive officer, director or nominee for director of the Company, any beneficial owner of more than 5% of the outstanding Shares of the Company's common stock, or any immediate family member of any such person. In reviewing these transactions, the Company strives to assure that the terms of any agreement between the Company and a related party is at arm's length, fair and at least as beneficial to the Company as could be obtained from third parties. The Nominating/Corporate Governance Committee, in its discretion, may consult with third party appraisers, valuation advisors or brokers to make such determination.

Leases

On December 14, 2016, Global Equipment Company Inc., a wholly owned indirect subsidiary of the Company entered into an amended and restated lease (the "Lease") for its Port Washington, NY headquarters (the "Headquarters"). The Company has leased the Headquarters since 1988 from an entity owned by Messrs. Richard, Bruce and Robert Leeds, directors and officers of, and together with their respective affiliated entities majority stockholders of, the Company (the "Landlord"). The Lease provides that it is intended to be a "triple net" lease with the Company to pay, or reimburse Landlord for paying, all costs and operating expenses, including taxes, insurance and maintenance expenses, associated with the Lease and the Headquarters. The Lease was reviewed and approved in accordance with the corporate approval policy noted above for related party transactions. Lease payments totaled $981,914 for fiscal year 2016.

Stockholders Agreement

Certain members of the Leeds family (including Messrs. Richard, Bruce and Robert Leeds) and family trusts of Messrs. Richard, Bruce and Robert Leeds entered into a stockholders agreement pursuant to which the parties agreed to vote in favor of the nominees for the Board designated by the holders of a majority of the Shares held by such stockholders at the time of the Company's initial public offering of the Shares. In addition, the agreement prohibits the sale of the Shares without the consent of the holders of a majority of the Shares held by all parties to the agreement, subject to certain exceptions, including sales pursuant to an effective registration statement and sales made in accordance with Rule 144. The agreement also grants certain drag-along rights in the event of the sale of all or a portion of the Shares held by holders of a majority of the Shares. As of the end of fiscal year 2016, the parties bound to the stockholders agreement beneficially owned 25,286,700 Shares subject to such agreement (constituting approximately 68.5% of the Shares outstanding).

Pursuant to the stockholders agreement, the Company granted to the parties demand and incidental, or "piggy-back," registration rights with respect to the Shares. The demand registration rights generally provide that the holders of a majority of the Shares may require, subject to certain restrictions regarding timing and number of Shares that the Company register under the Securities Act all or part of the Shares held by such stockholders. Pursuant to the incidental registration rights, the Company is required to notify such stockholders of any proposed registration of any Shares under the Securities Act and if requested by any such stockholder to include in such registration any number of Shares of Shares held by it subject to certain restrictions. The Company has agreed to pay all expenses and indemnify any selling stockholders against certain liabilities, including under the Securities Act, in connection with the registration of Shares pursuant to such agreement.

EQUITY COMPENSATION PLAN INFORMATION

Information for our equity compensation plans in effect as of the end of fiscal year 2016 is as follows:

	(a)	(b)	(c)
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights (1)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
Equity compensation plans approved by security holders	1,410,250	$12.57	5,993,395
Equity compensation plans not approved by security holders	-	-	-
Total	1,410,250	$12.57	5,993,395

(1) The weighted-average exercise price does not take into account the Shares issuable upon outstanding restricted stock units vesting, which have no exercise price.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In this section, we discuss the material elements of our compensation programs and policies, including the objectives of our compensation programs and the reasons why we pay each element of our executives' compensation. Following this discussion, you will find a series of tables containing more specific details about the compensation earned by, or awarded to, the following individuals, whom we refer to as the Named Executive Officers or NEOs. The following discussion relates to the NEOs and their titles as of the end of our 2016 fiscal year.[*]

Under SEC rules, the disclosure on executive compensation is being provided for each of the following:

- each person who served as chief executive officer or chief financial officer at any time during 2016; and
- the three other most highly compensated persons serving as executive officers at year end, as well as two additional executive officers.

In addition, we have included executive compensation disclosure for Messrs. Bruce Leeds (Vice Chairman) and Robert Leeds (Vice Chairman) in order to provide full disclosure with respect to our most senior executives.

Our NEOs in 2016 (based on the criteria noted above) were as follows:

Name of NEO	Position
Richard Leeds	Executive Chairman*
Bruce Leeds	Vice Chairman
Robert Leeds	Vice Chairman
Lawrence Reinhold	President & Chief Executive Officer[*]
Thomas Clark	Vice President & Chief Financial Officer*
Robert Dooley	President of the Company's Industrial Products Group
Eric Lerner	Senior Vice President and General Counsel

Central Objectives and Philosophy of Our Executive Compensation Programs

The Company's executive compensation programs are designed to achieve a number of important objectives, including attracting and retaining individuals of superior ability and managerial talent, rewarding individual contributions to the achievement of the Company's short and long-term financial and business objectives, promoting integrity and good corporate governance, and motivating our executive officers to manage the Company in a manner that will enhance its growth and financial performance for the benefit of our stockholders, customers and employees. Accordingly, in determining the amount and mix of compensation, the Compensation Committee seeks to both provide a competitive compensation package and to structure annual and long-term incentive programs that reward achievement of performance goals that directly correlate to the enhancement of sustained, long-term stockholder value, as well as to promote executive retention.

Our Compensation Committee seeks to design compensation programs with features that mitigate risk without diminishing the incentive nature of the compensation. The Company's variable pay programs are designed to reward outstanding individual and team performance while mitigating risk taking behavior that might affect financial results. Risk taking behavior includes the risk that an executive will take action that is detrimental to the Company's long-term interest in order to increase the executive's short-term performance-based compensation. We believe our programs encourage and reward prudent business judgment and appropriate risk-taking over the long-term. We believe the following factors are effective in mitigating risk relating to our compensation programs:

- Multiple Performance Factors. We use multiple performance factors that encourage executives to focus on the overall health of the business rather than a single financial measure.

[*] From January 1, 2016 through March 9, 2016, Mr. Richard Leeds served as the Company's Chief Executive Officer and Chairman. Effective March 10, 2016, Mr. Richard Leeds assumed the role of Executive Chairman and Mr. Reinhold became the Company's President and Chief Executive Officer. Mr. Reinhold continued to serve as the Company's Chief Financial Officer on an interim basis through October 31, 2016. At such time, Mr. Clark became the Company's Chief Financial Officer.

- Award Cap. Our 2014, 2015, 2016 and 2017 NEO Cash Bonus Plans each cap the maximum award payable to any individual.

- Clawback Provision. Our NEO Cash Bonus Plans provide the Company the ability to recapture all or a portion of cash awards (i) from our executive officers to the extent a bonus resulted from reported financial results that upon restatement of such results (other than as a result of changes in accounting principles) would not have generated the bonus or would have generated a lower bonus or (ii) from an executive officer if the Board learns of any misconduct by the executive officer that contributed to the Company having to restate all or a portion of its financial statements. In addition, the Board may recapture cash bonus awards from an executive if the Board determines that the executive engaged in serious ethical misconduct.

- Management Processes. Board and management processes are in place to oversee risk associated with the Company's operations. Our Board as a whole is responsible for overseeing the Company's risk management process. The Board focuses on the Company's general risk management strategy, and the most significant risks facing the Company, and seeks to ensure that appropriate risk mitigation strategies are implemented by management. Risk management is a recurring Audit Committee and Board quarterly agenda item, and is considered part of strategic planning. The Board is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and receives information relating to material risks affecting the Company from management and from our Legal, Risk Management/Insurance and Internal Audit departments.

- Long-Term Equity Compensation. A number of factors mitigate risks inherent in long-term equity compensation, specifically the vesting period for stock options and restricted stock unit grants, which we believe causes our executives to focus on long-term achievements and on building stockholder value.

We believe that our compensation policies for employees generally throughout our organization are not reasonably likely to have a material adverse effect on our company. From time to time a limited number of key managers are eligible to receive stock options and/or restricted stock units in varying amounts, in the discretion of the Compensation Committee. However, all awards are subject to years long vesting periods.

Elements of Our Executive Compensation Programs

To promote the objectives described above, our executive compensation programs consist of the following principal elements:

- Base salary;

- Non-equity incentive cash compensation, referred to for discussion purposes as bonuses;

- Stock–based incentives; and

- Benefits, perquisites and other compensation.

The Committee does not maintain formal policies for specifically allocating compensation among current and long-term compensation or among cash and non-cash compensation elements. Instead, the Committee maintains flexibility and adjusts different elements of compensation based upon its evaluation of the Company's key compensation goals set forth above. The Company does not have a formal policy regarding internal pay equity.

Base Salary - Salary levels are subjectively determined based on individual and Company performance as well as an objective assessment of prevailing salary levels for comparable companies, derived from widely available published reports of the average of prevailing salary levels for comparable companies (based on industry, revenues, number of employees, and similar factors) in the Company's geographic regions. Such reports do not identify the component companies. Mr. Reinhold's and Mr. Lerner's minimum salary is set pursuant to their respective employment agreements.

Cash Bonuses - Incentive cash compensation of the Company's NEOs under the 2014, 2015, 2016 and 2017 NEO Cash Bonus Plans described below (and implemented under our 2010 Long-Term Incentive Plan, described below), is disclosed in the Summary Compensation table below as Non-Equity Incentive Compensation, and is based primarily upon an evaluation of Company performance as it relates to three general business areas:

- Operational and Financial Performance (utilizing standard metrics such as net sales, operating income, consolidated net income, earnings before interest and taxes ("EBIT"), gross margin, operating margin, earnings per share, working capital, return on invested capital, stockholder equity and peer group comparisons);

- Strategic Accomplishments (including growth in the business (top line sales and margins), implementation of systems, process and technology improvements, cost management, turnaround or divestment of unprofitable business units, and growth in the value of the Company's assets, including through strategic acquisition transactions); and

- Corporate Governance and Oversight (encompassing legal and regulatory compliance and adherence to Company policies including the timely filing of periodic reports with the SEC, compliance with the Sarbanes-Oxley Act, maintaining robust internal controls, OSHA compliance, environmental, employment and safety laws and regulations compliance and enforcement of the Company's corporate ethics policy).

In addition, Messrs. Clark and Lerner have a portion of their cash bonus tied to specific personal objectives, as described below. Prior to 2017, Mr. Dooley had a portion of his cash bonus tied to the achievement of certain financial and non-financial goals by the Industrial Products Group, however, beginning in fiscal year 2017 Mr. Dooley's entire cash bonus is tied to the achievement of certain financial and non-financial goals by the Industrial Products Group, as further described below.

Pursuant to SEC rules, and except for disclosure of any actually achieved 2016 and future financial targets and the Company's actual performance relative to any such achieved 2016 and future targets, the Company is not disclosing the specific performance targets and actual performance measures for the goals used in its 2014, 2015, 2016 and 2017 NEO Cash Bonus Plans because they represent confidential financial information that the Company does not disclose to the public, and the Company believes that disclosure of this information would cause us competitive harm. Targets are set such that only exceptional performance will result in payouts above the target incentive and poor performance will result in diminished or no incentive payment. The Company believes that these performance goals were reasonably challenging to achieve. We set the target performance goals at a level for which there is a reasonable chance of achievement based upon forecasted performance. Scenarios were developed based upon a range of assumptions used to build our annual budget. We did not perform specific analysis on the probability of the achievement of the target performance goals given that the market is difficult to predict. Rather, we relied upon our experience in setting the goals guided by our objective of setting a reasonably attainable and motivationally meaningful goal.

In determining the compensation of a particular executive, consideration is given to the specific corporate responsibilities that such executive is charged with as they relate to the foregoing business areas.

Stock-Based Incentives - Stock-based incentives, at the present time consisting of (a) non-qualified stock options granted at 100% of the stock's fair market value on the grant date (based on the NYSE closing price of the Company's common stock on that date) and/or (b) restricted stock units granted subject to vesting conditions, constitute the long-term portion of the Company's executive compensation package. Stock based compensation provides an incentive for executives to manage the Company with a view to achieving results which would increase the Company's stock price over the long-term and, therefore, the return to the Company's stockholders. Stock option, restricted stock and restricted stock unit grants must be approved by the Compensation Committee; however, the Compensation Committee is permitted to delegate this authority to officers of the Company regarding awards to employees who are not officers or directors of the Company and who are not, and are not expected to become, "covered employees" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). We do not use any specific allocation percentage or formula in determining the size of the cash and equity based components of compensation in relation to each other.

The Compensation Committee is cognizant of the timing of the grant of stock based compensation in relation to the publication of Company earnings releases and other public announcements. Stock based compensation grants generally will not be made effective, until after the Company has disclosed, and the market has had an opportunity to react to, material, potentially market-moving, information concerning the Company.

Messrs. Richard, Bruce and Robert Leeds have not historically received stock options or other stock-based incentives as part of their compensation since the Company's initial public offering, and did not receive any such compensation in 2014, 2015 or 2016. As described below, Messrs. Reinhold, Clark and Lerner received stock options and restricted stock units in 2016. Mr. Lerner received stock options in 2014 and 2015 pursuant to his employment agreement. Mr. Dooley received stock options in 2016.

Benefits, Perquisites and Other Compensation - The Company provides various employee benefit programs to its employees, including NEOs. These benefits include medical, dental, life and disability insurance benefits and our 401(k) plan, which includes Company contributions. The Company also provides Company-owned or leased cars or automobile allowances and related reimbursements to certain NEOs and certain other Company managers which are not provided to all employees. Certain Company executives also have or are entitled to receive severance payments, and/or change of control payments pursuant to negotiated employment agreements they have with the Company (see below). The Company does not provide to executive officers any (a) pension benefits or (b) deferred compensation under any defined contribution or other plan on a basis that is not tax-qualified.

Tax Deductibility Considerations - It is our policy generally to qualify compensation paid to executive officers for deductibility under Section 162(m) of the Code. Section 162(m) generally prohibits deducting the compensation of executive officers that exceeds $1,000,000 unless that compensation is based on the satisfaction of objective performance goals. Our long-term incentive plans (the, the 1999 Long-Term Stock Incentive Plan, as amended, the, the 2006 Stock Incentive Plan for Non-Employee Directors, and the 2010 Long-Term Incentive Plan) are structured to permit awards under such plans to qualify as performance-based compensation and to maximize the tax deductibility of such awards. However, we reserve the discretion to pay compensation to our executive officers that may not be deductible.

Role of the Compensation Committee and CEO in Compensation Decisions

The Compensation Committee's responsibility is to review and approve corporate goals relevant to the compensation of the Chairman, Vice Chairmen and Chief Executive Officer and, after evaluation of their performance in light of such goals, to set their compensation. The Compensation Committee also approves, upon the recommendation of the Chief Executive Officer (following consultation with the Chairman and Vice Chairmen), (a) the annual compensation of the other executive officers of the Company, (b) the annual compensation of certain subsidiary managers, and (c) all individual stock incentive grants. The Compensation Committee is also responsible for reviewing and making periodic recommendations to the Board with respect to the general compensation, benefits and perquisite policies and practices of the Company, including the Company's stock-incentive based compensation plans. The Compensation Committee has the authority to retain third party compensation consultants to provide assistance with respect to compensation strategies, market practices, market research data and the Company's compensation goals. The Compensation Committee did not retain any such consultant in 2014, 2015 or 2016.

2010 Long-Term Incentive Plan

In 2010, the Board of Directors approved, and the stockholders of the Company approved at the 2010 Annual Meeting, the 2010 Long-Term Incentive Plan in order to promote the interests of the Company and its stockholders by (i) attracting and retaining exceptional executive personnel and other key employees, including consultants and advisors to the Company and its affiliates; (ii) motivating such employees, consultants and advisors by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such employees, consultants and advisors to participate in the long-term growth and financial success of the Company.

The 2010 Long-Term Incentive Plan provides for the granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards (which may be in the form of cash) or other stock-based awards. Any of the foregoing is referred to as an "Award." Subject to adjustment in the case of certain corporate changes, Awards may be granted under the 2010 Long-Term Incentive Plan with respect to an aggregate of 7,500,000 Shares of the Company's Common Stock. During a calendar year, Awards may be granted to any individual only with respect to a maximum of 1,500,000 Shares (or $10,000,000 in the case of cash performance awards).

Any employee of the Company or of any affiliate and any individual providing consulting or advisory services to the Company or an affiliate, is eligible to receive an award under the 2010 Long-Term Incentive Plan. The Compensation Committee administers the Plan and determines, in its sole discretion, the terms and conditions of any Award. The Compensation Committee or the Board of Directors may delegate to one or more officers or managers of the Company the authority to designate the individuals who will receive Awards under the Plan provided that the Compensation Committee shall itself grant all Awards to those individuals who could reasonably be considered to be subject to the insider trading provisions of Section 16 of the 1934 Act or whose Awards could reasonably be expected to be subject to the deduction limitations of Section 162(m) of the Code.

The Compensation Committee determines the persons who will receive Awards, the type of Awards granted, and the number of Shares subject to each Award. The Compensation Committee also determines the prices, expiration dates, vesting schedules, forfeiture provisions and other material features of Awards. The Compensation Committee has the authority to interpret and construe any provision of the Plan and to adopt such rules and regulations for administering the Plan as it deems necessary or appropriate. All decisions and determinations of the Compensation Committee are final, binding and conclusive on all parties.

The 2010 Long-Term Incentive Plan provides that granting or vesting of options, restricted stock, restricted stock units and performance awards may be conditioned on the achievement of specified performance goals. These goals must be established by the Compensation Committee within 90 days of the beginning of the year (or other period to which the performance goals relate) or, if shorter, within the first 25% of the performance period.

The performance goals may be based on one or more of: share price, revenues, earnings (including but not limited to EBITDA), earnings per share, return on equity, expenses, and objective strategic and governance business goals. Each such performance goal may (1) be expressed with respect to the Company as a whole or with respect to one or more divisions or business units, (2) be expressed on a pre-tax or after-tax basis, (3) be expressed on an absolute and/or relative basis, (4) employ comparisons with past performance of the Company (including one or more divisions) and/or (5) employ comparisons with the current or past performance of other companies, and in the case of earnings-based measures, may employ comparisons to capital, stockholders' equity and shares outstanding.

To the extent applicable, the measures used in performance goals set under the 2010 Long-Term Incentive Plan are determined in a manner consistent with the methods used in the Company's Forms 10-K and 10-Q, except that adjustments will be made for certain items, including special, unusual or non-recurring items, acquisitions and dispositions and changes in accounting principles.

2017 NEO Cash Bonus Plan

In 2017, pursuant to the 2010 Long-Term Incentive Plan previously adopted by the Board of Directors and by the stockholders at the 2010 Annual Meeting, our Compensation Committee, with input from our Chief Executive Officer, established our 2017 NEO Cash Bonus Plan ("2017 Bonus Plan") providing for target cash bonuses for the NEOs based on the achievement of certain financial and non-financial performance-based criteria in 2017. The 2017 Bonus Plan implements for 2017 the 2010 Long-Term Incentive Plan and pertains specifically to the payment of non-equity incentive compensation to NEOs for 2017.

The following discussion applies to 100% of the 2017 total non-equity incentive compensation for each of Messrs. Richard Leeds, Bruce Leeds, Robert Leeds and Lawrence Reinhold; and the 50% portion of Messrs. Clark's and Lerner's 2017 total non-equity incentive compensation that is based on the 2017 Bonus Plan,

For 2017, such financial and non-financial goals, the percentage of the executive's entire cash bonus tied to such goals and the weighting of each component under such goal, are as follows:

- Financial Goals for 2017 (80% of total cash bonus target)

  – Adjusted Operating Income Performance (60%): The Compensation Committee believes this is the most important individual component and aligns the interests of our executives with those of our stockholders, in addition to building long-term value. Adjusted Operating Income is defined as operating income adjusted for unusual or nonrecurring items as determined by our Compensation Committee.

  – Sales Performance (20%): The Compensation Committee believes sales performance is key to our Company achieving the scale necessary to remain competitive with larger companies. Sales are defined as sales revenue net of returns on a constant currency basis. Sales are further adjusted for the impact of any acquisition or disposition which is completed during the plan year.

- Non-Financial Goals for 2017 (20% of total cash bonus target)

  – Strategic Accomplishments (16%): Strategic goals were established surrounding accomplishments within our Industrial Products Group, European Technology Products Group, and the Corporate and Other function. These distinct goals relate to various strategic initiatives including optimizing our operations and improving the profitability of our Industrial Products group; further growing our business in France, turning around or exiting unprofitable business units in Europe, completing wind down of previously exited business units, rationalizing internal information management platforms, and cost reduction initiatives within our Corporate and Other function.

  – Corporate Governance Goals (4%): These goals relate to continuing improvements in our internal control processes, ethics compliance procedures and safety protocols that the Compensation Committee believes will generally benefit stockholders as evidenced by the absence of material weaknesses in internal controls and financial reporting, prompt investigation and disposition of any ethical or governance issues that may arise, and the absence of any serious OSHA matters.

Achievement of each of the target financial goals generates a variable target bonus payment (base case); reduced bonuses are payable on a pro rata basis for each financial goal component. The bonus for the sales target financial component is payable starting at achievement of in excess of 80% of the sales target financial goal component amount up to 140% of the sales target financial goal component amount. Each 1% variance in actual achievement below the 100% level will generate a 5% negative variance in the target bonus amount. Each 1% variance in actual achievement above the 100% level generates a 5% positive variance in the target bonus amount. No bonus is payable in respect of this component if achievement is 80% or less of the sales target while increased bonuses (up to 300% of the target bonus amount for this financial component) are payable on a pro rata basis for over achievement of the sales target financial goal component. The adjusted operating income financial goal component is payable at a level of 100% if the target is achieved. Each $1,000,000 variance in actual achievement below the 100% level will generate a 5% negative variance in the target bonus amount. Each $1,000,000 variance in actual achievement above the 100% level will generate a 5% positive variance in the target bonus amount up to 300% of the target bonus amount for this financial component. The non-financial goals are measured based on whether or not the goal is either accomplished or not accomplished during the fiscal year. Accomplishment can be measured at 0%, 25%, 50%, 75%, or 100% levels with target bonus paid out accordingly.

2017 Management Performance Bonus Plan

In January 2017, in order to enhance accountability and drive timely performance, the compensation committee adopted a revised compensation scheme applicable to senior and executive management. The following discussion relates to the personal performance objectives for Mr. Clark, Mr. Lerner, and Mr. Dooley, which comprise 50% of the total target bonus for each of Mr. Clark and Mr. Lerner, and 100% of the total target bonus for Mr. Dooley.

These objectives are comprised of a variety of measurable strategic, financial and operational initiatives including, sales growth and margin improvement, cost management, process improvement, corporate development, and others as deemed appropriate by the Chief Executive Officer; in each case, relevant to the scope of their functional areas of operation and designed to incentivize management to accomplish the businesses' strategic plan. Bonus achievement of these personal objectives (i.e. - those not tied to NEO Plan performance) is measured in up to five discrete tranches, one for each quarter, as well as one on an annual basis, with each measurement period typically constituting a 20% portion of the total applicable target bonus for the year. Each quarterly objective is personal while the annual objectives are shared group objectives, common to all participants. Within each measurement period, each individual initiative is weighted as a proportion of the total available target bonus for that period, and is earned based upon an achievement range of 0%, 25%, 50%, 75%, or 100%.

Achievement of each quarterly personal objective and of the shared annual objectives, entitles the employee to receive a portion of the applicable target bonus that may be earned for that period, and is funded based upon achievement of the relative operating income achievement within that period. A 5% negative variance to target bonus equates to a 10% reduction in available bonus, while a 5% positive variance to target bonus equates to a 5% increase to available bonus, as applied discretely to each measurement period.

100% of Mr. Dooley's cash bonus is tied to achievement of certain Industrial Products Group objectives related to sales and margin growth, completion of specified cost reduction and certain projects, and improvement in key customer facing logistics metrics.

50% of Mr. Clark's and Mr. Lerner's cash bonus is tied to achievement of certain company wide and departmental objectives, completion of certain cost reduction efforts, completion of certain departmental reorganization activities, completion of corporate development projects, implementation of process improvements, and special projects as assigned by the Chief Executive Officer.

Under the 2017 Bonus Plan, the Compensation Committee set the following cash bonus target amounts for each of Mr. Richard Leeds, Mr. Bruce Leeds, Mr. Robert Leeds and Mr. Reinhold, assuming achievement of the 2017 Bonus Plan financial and non-financial goals at 100% base case target levels; and in the case of Mr. Clark, assuming achievement of the 2017 Bonus Plan goals at 100% base case target levels (50% of the bonus) as well as achievement of performance objectives established for him by the Company (50% of the bonus); and in the case of Mr. Dooley, assuming achievement of the financial and non-financial goals of the Industrial Products Group at 100% base case target levels; and in the case of Mr. Lerner achievement of the 2017 Bonus Plan goals at 100% base case target levels (50% of the bonus) as well as achievement of performance objectives established for him by the Company (50% of the bonus):

Richard Leeds	$1,050,000
Bruce Leeds	$877,500
Robert Leeds	$877,500
Lawrence Reinhold	$1,410,000
Thomas Clark	$175,000
Robert Dooley	$505,000
Eric Lerner	$277,500

The Compensation Committee believes these bonus levels are appropriate for each of our named executive officers. The 2017 salary levels discussed below reflect the Compensation Committee's view that such levels are appropriate in light of the current business performance and expected accomplishments in 2017.

The 2017 Bonus Plan imposes a cap on the total bonus that could be payable to any executive whose bonus is 100% earned based upon the NEO plan at 260% of the target base case bonus. The cap on Mr. Dooley's total bonus is 150% of the target base case bonus, and the cap on Mr. Lerner's and Mr. Clark's total bonus is capped at 205% of the target base case bonus. The Compensation Committee has the discretion to adjust financial targets based on such events as acquisitions or other one-time charges or gains, or other unforeseen circumstances that can skew normal operating results. Targets and bonuses are also subject to adjustment to prevent unreasonable results in the strict application of these formulas. Executives must generally be employed with the Company at the time the bonuses are paid out to receive the bonus.

In addition, the Board can demand repayment to the Company of any cash bonuses paid in the event that (i) the executive's misconduct caused the Company to restate its reported financial results; (ii) the reported results created a bonus that would not have been paid based on the restated results, or (ii) the executive engages in serious ethical misconduct.

2016 NEO Cash Bonus Plan

In 2016, pursuant to the 2010 Long-Term Incentive Plan previously adopted by the Board of Directors and by the stockholders at the 2010 Annual Meeting, our Compensation Committee, with input from our Chief Executive Officer, established our 2016 NEO Cash Bonus Plan ("2016 Bonus Plan") providing for target cash bonuses for the NEOs based on the achievement of certain financial and non-financial performance-based criteria in 2016. The 2016 Bonus Plan implements for 2016 the 2010 Long-Term Incentive Plan and pertains specifically to the payment of non-equity incentive compensation to NEOs for 2016.

The following discussion applies to 100% of the 2016 total non-equity incentive compensation for each of Messrs. Richard Leeds, Bruce Leeds, Robert Leeds and Lawrence Reinhold; the 50% portion of Mr. Lerner's 2016 total non-equity incentive compensation that is based on the 2016 Bonus Plan; the 25% portion of Mr. Dooley's 2016 total non-equity incentive compensation that is based on the 2016 Bonus Plan; and the 17% portion of Mr. Clark's 2016 total non-equity incentive compensation that is based on the 2016 Bonus Plan.

For 2016, such financial and non-financial goals, the percentage of the executive's entire cash bonus tied to such goals and the weighting of each component under such goal, are as follows:

- Financial Goals for 2016 (80% of total cash bonus target)

  – Adjusted Operating Income Performance (60%): The Compensation Committee believes this is the most important individual component and aligns the interests of our executives with those of our stockholders, in addition to building long-term value. Adjusted Operating Income is defined as operating income adjusted for unusual or nonrecurring items as determined by our Compensation Committee.

  – Sales Performance (20%): The Compensation Committee believes sales performance is key to our Company achieving the scale necessary to remain competitive with larger companies. Sales are defined as sales revenue net of returns on a constant currency basis. Sales are further adjusted for the impact of any acquisition which is completed during the plan year.

- Non-Financial Goals for 2016 (20% of total cash bonus target)

  – Strategic Accomplishments (16%): Strategic goals were established surrounding accomplishments within our Industrial Products Group, European Technology Products Group, and the Corporate and Other function. These distinct goals relate to various strategic initiatives including optimizing our operations and improving the profitability of our Industrial Products group; further growing our business in France, integrating our Netherlands operations, and improving our UK operations within our European businesses; and cost reduction initiatives within our Corporate and Other function.

  – Corporate Governance Goals (4%): These goals relate to continuing improvements in our internal control processes, ethics compliance procedures and safety protocols that the Compensation Committee believes will generally benefit stockholders as evidenced by the absence of material weaknesses in internal controls and financial reporting, prompt investigation and disposition of any ethical or governance issues that may arise, and the absence of any serious OSHA matters.

Achievement of each of the target financial goals generates a variable target bonus payment (base case); reduced bonuses are payable on a pro rata basis for each financial goal component. The bonus for the sales target financial component is payable starting at achievement of in excess of 80% of the sales target financial goal component amount up to 140% of the sales target financial goal component amount. Each 1% variance in actual achievement below the 100% level will generate a 5% negative variance in the target bonus amount. Each 1% variance in actual achievement above the 100% level generates a 5% positive variance in the target bonus amount. No bonus is payable in respect of this component if achievement is 80% or less of the sales target while increased bonuses (up to 300% of the target bonus amount for this financial component) are payable on a pro rata basis for over achievement of the sales target financial goal component. The adjusted operating income financial goal component is payable at a level of 100% if the target is achieved. Each $1,000,000 variance in actual achievement below the 100% level will generate a 5% negative variance in the target bonus amount. Each $1,000,000 variance in actual achievement above the 100% level will generate a 5% positive variance in the target bonus amount up to 300% of the target bonus amount for this financial component. The non-financial goals are measured based on whether or not the goal is either accomplished or not accomplished during the fiscal year. Accomplishment can be measured at 0%, 25%, 50%, 75%, or 100% levels with target bonus paid out accordingly.

Under the 2016 Bonus Plan, the Compensation Committee set the following cash bonus target amounts for each of Mr. Richard Leeds, Mr. Bruce Leeds, Mr. Robert Leeds and Mr. Reinhold, assuming achievement of the 2016 Bonus Plan financial and non-financial goals at 100% base case target levels; and in the case of Mr. Clark, assuming achievement of the 2016 Bonus Plan goals at 100% base case target levels (17% of the bonus) as well as achievement of performance objectives established for him by the Company (83% of the bonus); and in the case of Mr. Dooley, assuming achievement of the 2016 Bonus Plan goals at

100% base case target levels (25% of the bonus) as well as assuming achievement of the financial and non-financial goals of the Industrial Products Group at 100% base case target levels (75% of the bonus); and in the case of Mr. Lerner achievement of the 2016 Bonus Plan goals at 100% base case target levels (50% of the bonus) as well as achievement of performance objectives established for him by the Company (50% of the bonus):

Richard Leeds	$1,050,000
Bruce Leeds	$877,500
Robert Leeds	$877,500
Lawrence Reinhold	$1,410,000
Thomas Clark	$100,000
Robert Dooley	$500,000
Eric Lerner	$275,000

The 2016 Bonus Plan imposes a cap on the total bonus that could be payable to any executive whose bonus is 100% earned based upon the NEO plan at 260% of the target base case bonus. The cap on Mr. Dooley's total bonus is 185% of the target base case bonus, the cap on Mr. Lerner's total bonus is 180% of the target base case bonus, and the cap on Mr. Clark's total bonus is 190%. The Compensation Committee has the discretion to adjust financial targets based on such events as acquisitions or other one-time charges or gains, or other unforeseen circumstances that can skew normal operating results. Targets and bonuses are also subject to adjustment to prevent unreasonable results in the strict application of these formulas. Executives must generally be employed with the Company at the time the bonuses are paid out to receive the bonus.

In addition, the Board can demand repayment to the Company of any cash bonuses paid in the event that (i) the executive's misconduct caused the Company to restate its reported financial results; (ii) the reported results created a bonus that would not have been paid based on the restated results, or (ii) the executive engages in serious ethical misconduct.

As described above, 83% of Mr. Clark's cash bonus is tied to achievement of certain Industrial Products group objectives, 60% of this portion of the bonus (45% of total target bonus) is tied to achievement of financial objectives and 40% of this portion of the bonus (30% of total target bonus) is tied to achievement of strategic objectives for the Industrial Products Group. The financial objective is based on an operating income target and each $1.0 million variance above or below the target generates a 10% positive or negative variance of the bonus payable. The bonus payout for over achievement of the financial objective is capped at 200% of the target amount. The strategic objectives are tied to achievement of various sales, customer service, integration and marketing initiatives and are measured on whether or not the goal is achieved.

As indicated above, 75% of Mr. Dooley's cash bonus is tied to achievement of certain Industrial Products Group objectives, 60% of this portion of the bonus (45% of total target bonus) is tied to achievement of financial objectives and 40% of this portion of the bonus (30% of total target bonus) is tied to achievement of strategic objectives for the Industrial Products Group. The financial objective is based on an operating income target and each $1.0 million variance above or below the target generates a 10% positive or negative variance of the bonus payable. The bonus payout for over achievement of the financial objective is capped at 200% of the target amount. The strategic objectives are tied to achievement of various sales, customer service, integration and marketing initiatives and are measured on whether or not the goal is achieved.

As described above, 50% of Mr. Lerner's cash bonus is tied to achievement of certain legal group objectives, 20% of this portion of the bonus (10% of total target bonus) is tied to cost management and 80% of this portion of the bonus (40% of total target bonus) is tied to achievement of individual strategic objectives including enhancing efficiency, automation and cost of the contract and litigation management process.

2015 NEO Cash Bonus Plan*

In 2015, pursuant to the 2010 Long-Term Incentive Plan previously adopted by the Board of Directors and by the stockholders at the 2010 Annual Meeting, our Compensation Committee, with input from our Chief Executive Officer, established our 2015 NEO Cash Bonus Plan ("2015 Bonus Plan") providing for target cash bonuses for the NEOs based on the achievement of certain financial and non-financial performance-based criteria in 2015. The 2015 Bonus Plan implements for 2015 the 2010 Long-Term Incentive Plan and pertains specifically to the payment of non-equity incentive compensation to NEOs for 2015.

The following discussion applies to 100% of the 2015 total non-equity incentive compensation for each of Mr. Richard Leeds, Mr. Bruce Leeds, Mr. Robert Leeds and Mr. Reinhold; the 25% portion of Mr. Dooley's 2015 total non-equity incentive compensation that is based on the 2015 Bonus Plan; and the 50% portion of Mr. Lerner's 2015 total non-equity incentive compensation that is based on the 2015 Bonus Plan.

* Mr. Clark was not a Named Executive Officer prior to October 2016, and therefore there is no disclosure in this Section for fiscal years 2014 or 2015.

For 2015, such financial and non-financial goals, the percentage of the executive's entire cash bonus tied to such goals and the weighting of each component under such goal, are as follows:

- Financial Goals for 2015 (80% of total cash bonus target)

  – Adjusted Operating Income Performance (60%): The Compensation Committee believes this is the most important individual component and aligns the interests of our executives with those of our stockholders, in addition to building long-term value. Adjusted Operating Income is defined as operating income adjusted for unusual or nonrecurring items as determined by our Compensation Committee.

  – Sales Performance (20%): The Compensation Committee believes sales performance is key to our Company achieving the scale necessary to remain competitive with larger companies. Sales are defined as sales revenue net of returns on a constant currency basis. Sales are further adjusted for the impact of any acquisition which is completed during the plan year.

- Non-Financial Goals for 2015 (20% of total cash bonus target)

  – Strategic Accomplishments (16%): Strategic goals were established surrounding accomplishments within our Industrial Products Group, and our North American and European Technology Products Groups. These distinct goals relate to various strategic initiatives including enhancing our worldwide information technology systems by continued migration to a new platform specially designed for our needs; improving performance and grow in our UK Operations as well as stabilizing the performance of and improving service levels in our Shared Service Center in Europe; integration of the PEG Group acquisition and continued organic growth within our Industrial Products Group, and successful completion of the previously announced B2B restructuring activities for our North American Technology Products Group ("NA Tech"). The Compensation Committee believes these initiatives will enhance the Company's operational infrastructure and efficiency.

  – Corporate Governance Goals (4%): These goals relate to continuing improvements in our internal control processes, ethics compliance procedures and safety protocols that the Compensation Committee believes will generally benefit stockholders as evidenced by the absence of material weaknesses in internal controls and financial reporting, prompt investigation and disposition of any ethical or governance issues that may arise, and the absence of any serious OSHA matters.

Achievement of each of the target financial goals generates a variable target bonus payment (base case); reduced bonuses are payable on a pro rata basis for each financial goal component. The bonus for the sales target financial component is payable starting at achievement of in excess of 80% of the sales target financial goal component amount up to 140% of the sales target financial goal component amount. Each 1% variance in actual achievement from the 100% level generates a 5% variance in the target bonus amount. No bonus is payable in respect of this component if achievement is 80% or less of the sales target while increased bonuses (up to 300% of the target bonus amount for this financial component) are payable on a pro rata basis for over achievement of the sales target financial goal component. The adjusted operating income financial goal component is payable at a level of 100% if the target is achieved. Each $1,000,000 variance in actual achievement below the 100% level will generate a 5% negative variance in the target bonus amount. Each $1,000,000 variance in actual achievement above the 100% level will generate a 5% positive variance in the target bonus amount up to 300% of the target bonus amount for this financial component. The non-financial goals are measured based on whether or not the goal is either accomplished or not accomplished during the fiscal year. Accomplishment can be measured at 0%, 25%, 50%, 75%, or 100% levels with target bonus paid out accordingly.

Under the 2015 Bonus Plan, the Compensation Committee set the following cash bonus target amounts for each of Mr. Richard Leeds, Mr. Bruce Leeds, Mr. Robert Leeds and Mr. Reinhold, assuming achievement of the 2015 Bonus Plan financial and non-financial goals at 100% base case target levels; and in the case of Mr. Dooley achievement of such 2015 Bonus Plan goals at 100% base case target levels (25% of the bonus) as well as achievement of the financial and non-financial goals of the Industrial Products Group at 100% base case target levels (75% of the bonus); and in the case of Mr. Lerner achievement of such 2015 Bonus Plan goals at 100% base case target levels (50% of the bonus) as well as achievement of performance objectives established for him by the Company (50% of the bonus):

Richard Leeds	$1,400,000
Bruce Leeds	$877,500
Robert Leeds	$877,500
Lawrence Reinhold	$1,020,000
Robert Dooley	$475,000
Eric Lerner	$265,000

The 2015 Bonus Plan imposes a cap on the total bonus that could be payable to any executive whose bonus is 100% earned based upon the NEO plan at 260% of the target base case bonus. The cap on Mr. Dooley's total bonus is 200% of the target base case bonus, and the cap on Mr. Lerner is 180% of the target base case bonus. The Compensation Committee has the discretion to adjust financial targets based on such events as acquisitions or other one-time charges or gains, or other unforeseen circumstances that can skew normal operating results. Targets and bonuses are also subject to adjustment to prevent unreasonable results in the strict application of these formulas. Executives must generally be employed with the Company at the time the bonuses are paid out to receive the bonus.

In addition, the Board can demand repayment to the Company of any cash bonuses paid in the event that (i) the executive's misconduct caused the Company to restate its reported financial results; (ii) the reported results created a bonus that would not have been paid based on the restated results, or (ii) the executive engages in serious ethical misconduct.

As indicated above, 75% of Mr. Dooley's cash bonus is tied to achievement of certain Industrial Products Group objectives, 80% of this portion of the bonus (60% of total target bonus) is tied to achievement of financial objectives and 20% of this portion of the bonus (15% of total target bonus) is tied to achievement of strategic objectives for the Industrial Products Group. The financial objective is based on an operating income target and each $1.0 million variance above or below the target generates a 10% positive or negative variance of the bonus payable. The bonus payout for over achievement of the financial objective is capped at 200% of the target amount. The strategic objectives are tied to achievement of various sales, customer service, integration and marketing initiatives and are measured on whether or not the goal is achieved.

As described above, 50% of Mr. Lerner's cash bonus is tied to achievement of certain legal group objectives, 20% of this portion of the bonus (10% of total target bonus) is tied to cost management and 80% of this portion of the bonus (40% of total target bonus) is tied to achievement of individual strategic objectives including enhancing efficiency, automation and cost of the contract and litigation management process. The cost management and the strategic objectives were met or exceeded in 2015, resulting in a 100% payout of this bonus component.

2014 NEO Cash Bonus Plan*

In 2014, pursuant to the 2010 Long-Term Incentive Plan previously adopted by the Board of Directors and by the stockholders at the 2010 Annual Meeting, our Compensation Committee, with input from our Chief Executive Officer, established our 2014 NEO Cash Bonus Plan ("2014 Bonus Plan") providing for target cash bonuses for the NEOs based on the achievement of certain financial and non-financial performance-based criteria in 2014. The 2014 Bonus Plan implements for 2014 the 2010 Long-Term Incentive Plan and pertains specifically to the payment of non-equity incentive compensation to NEOs for 2014.

The following discussion applies to 100% of the 2014 total non-equity incentive compensation for each of Mr. Richard Leeds, Mr. Bruce Leeds, Mr. Robert Leeds and Mr. Reinhold; the 25% portion of Mr. Dooley's 2014 total non-equity incentive compensation that is based on the 2014 Bonus Plan; and the 50% portion of Mr. Lerner's 2014 total non-equity incentive compensation that is based on the 2014 Bonus Plan.

For 2014, such financial and non-financial goals, the percentage of the executive's entire cash bonus tied to such goals and the weighting of each component under such goal, are as follows:

- Financial Goals (80% of total cash bonus target)

  – Adjusted Operating Income Performance (60%): The Compensation Committee believes this is the most important individual component and aligns the interests of our executives with those of our stockholders, in addition to building long-term value. Adjusted Operating Income is defined as operating income adjusted for unusual or nonrecurring items as determined by our Compensation Committee.

  – Sales Performance (20%): The Compensation Committee believes sales performance is key to our Company achieving the scale necessary to remain competitive with larger companies. Sales are defined as sales revenue net of returns on a constant currency basis.

- Non-Financial Goals for 2014 (20% of total cash bonus target)

  – Strategic Accomplishments (16%): Strategic goals were established surrounding accomplishments within our Industrial Products Group, and our North American and European Technology Products Groups. These distinct goals relate to various strategic initiatives including enhancing our worldwide information technology systems by continued migration to a new platform specially designed for our needs; transforming our EMEA operating model to a Pan-European approach, including substantially completing the implementation of our shared services center in Hungary; expanding the Industrial business through foreign sales initiatives and continued organic growth; and continued shift to a B2B oriented operation along with a stabilization of a profitable

[*] Mr. Clark was not a Named Executive Officer prior to October 2016, and therefore there is no disclosure in this Section for fiscal year 2014 or 2015.

consumer business for our North American Technology Products Group. The Compensation Committee believes these initiatives will enhance the Company's operational infrastructure and efficiency.

– Corporate Governance Goals (4%): These goals relate to continuing improvements in our internal control processes, ethics compliance procedures and safety protocols that the Compensation Committee believes will generally benefit stockholders.

Achievement of each of the target financial goals generates a variable target bonus payment (base case); reduced bonuses are payable on a pro rata basis for each financial goal component. The bonus for the sales target financial component is payable starting at achievement of in excess of 80% of the sales target financial goal component amount up to 140% of the sales target financial goal component amount. Each 1% variance in actual achievement from the 100% level generates a 5% variance in the target bonus amount. No bonus is payable in respect of this component if achievement is 80% or less of the sales target while increased bonuses (up to 300% of the target bonus amount for this financial component) are payable on a pro rata basis for over achievement of the sales target financial goal component. The adjusted operating income financial goal component is payable at a level of 100% if the target is achieved. Each $500,000 variance in actual achievement below the 100% level will generate a 5% negative variance in the target bonus amount. Each $500,000 variance in actual achievement above the 100% level will generate a 5% positive variance in the target bonus amount up to 300% of the target bonus amount for this financial component. The non-financial goals are measured based on whether or not the goal is either accomplished or not accomplished during the fiscal year.

Under the 2014 Bonus Plan, the Compensation Committee set the following cash bonus target amounts for each of Mr. Richard Leeds, Mr. Bruce Leeds, Mr. Robert Leeds and Mr. Reinhold, assuming achievement of the 2014 Bonus Plan financial and non-financial goals at 100% base case target levels; and in the case of Mr. Dooley achievement of such 2014 Bonus Plan goals at 100% base case target levels (25% of the bonus) as well as achievement of the financial and non-financial goals of the Industrial Products Group at 100% base case target levels (75% of the bonus); and in the case of Mr. Lerner achievement of such 2014 Bonus Plan goals at 100% base case target levels (50% of the bonus) as well as achievement of performance objectives established for him by the Company (50% of the bonus):

Richard Leeds	$1,340,000
Bruce Leeds	$832,500
Robert Leeds	$832,500
Lawrence Reinhold	$967,500
Robert Dooley	$450,000
Eric Lerner	$255,000

The 2014 Bonus Plan imposes a cap on the total bonus that could be payable to any executive whose bonus is 100% earned based upon the NEO plan at 260% of the target base case bonus. The cap on Mr. Dooley's total bonus is 200% of the target base case bonus, and the cap on Mr. Lerner is 180% of the target base case bonus. The Compensation Committee has the discretion to adjust financial targets based on such events as acquisitions or other one-time charges or gains, or other unforeseen circumstances that can skew normal operating results. Targets and bonuses are also subject to adjustment to prevent unreasonable results in the strict application of these formulas. Executives must generally be employed with the Company at the time the bonuses are paid out to receive the bonus.

In addition, the Board can demand repayment to the Company of any cash bonuses paid in the event that (i) the executive's misconduct caused the Company to restate its reported financial results; (ii) the reported results created a bonus that would not have been paid based on the restated results, or (ii) the executive engages in serious ethical misconduct.

As indicated above, 75% of Mr. Dooley's cash bonus is tied to achievement of certain Industrial Products Group objectives, 80% of this portion of the bonus (60% of total target bonus) is tied to achievement of financial objections and 20% of this portion of the bonus (15% of total target bonus) is tied to achievement of strategic objectives for the Industrial Products Group. The financial objective is based on an operating income target and each $1.5 million variance above or below the target generates a 10% positive or negative variance of the bonus payable. The bonus payout is capped at 200% of the target amount. The strategic objectives are tied to achievement of various sales, customer service, and marketing initiatives and are measured on whether or not the goal is achieved. In 2014, the Industrial Products Group's adjusted operating income performance resulted in an earned bonus of 80% of the bonus tied to this Industrial Products Group financial objective. The strategic objectives were met or partially met, and Mr. Dooley achieved 70% of the bonus for this component.

As described above, 50% of Mr. Lerner's cash bonus is tied to achievement of certain legal group objectives, 20% of this portion of the bonus (10% of total target bonus) is tied to cost management and 80% of this portion of the bonus (40% of total target bonus) is tied to achievement of individual strategic objectives including enhancing the contract management process, enhancing the litigation management and budget process and strengthening the Company's overall risk management function. The cost management and the strategic objectives were met or exceeded in 2014, resulting in a 219% payout of this bonus component.

Compensation of NEOs in 2016

In determining the compensation of the Company's Chief Executive Officer for fiscal year 2016 and approving the compensation of the Company's other NEOs, the Committee considered, among the other factors discussed above, the achievement of the performance based criteria established under the 2016 Bonus Plan.

The Compensation Committee determined that the Company and management had performed adequately, particularly given trends in the general economic environment and in the technology products industry in which the Company's former European Technology Group (sold in March 2017) competed throughout fiscal year 2016. It was the view of the Compensation Committee that management had executed acceptably on strategic business initiatives to position the Company for growth while managing risk. Based on Company and individual performance, the Compensation Committee believes that compensation levels for fiscal year 2016 were consistent with the philosophy and objectives of the Company's compensation programs. The Compensation Committee determined that the Company met its 2016 corporate governance non-financial goals, but only achieved 50% of its Industrial Products Group strategic objectives, 75% of the European Technology Products Group strategic non-financial objectives and 75% of the strategic objectives within its Corporate Segment. The Compensation Committee also exercised its discretion to reset the sales growth target and adjusted operating income growth target to eliminate, as applicable, any revenue and earnings contributable to its NA Tech business exited in 2015, or contributable to its former German business exited in 2016. The Company's revised sales target was 95.6%% achieved, which resulted in participants' earning 75% of available target bonus related to this financial metric. Furthermore, the Company's revised operating income target only partially achieved, which resulted in participants' earning 30% of the available target for this bonus component. Accordingly, pursuant to the 2016 Bonus Plan formulas, 2016 non-equity incentive plan/bonus compensation for each Named Executive Officer was paid at 41% of the target level.

The 2016 threshold, target and maximum bonus amounts for each of our Named Executive Officers are found in the Grants of Plan-Based Awards table on page 39.

Employment Arrangements of the Named Executive Officers

Richard Leeds

Richard Leeds has no employment agreement and is an "at will" employee. Base salary accounted for 61% and bonus accounted for 36% of Mr. Leeds total cash compensation for 2016. Mr. Leeds' bonus for 2016 was determined as described above under the heading 2016 NEO Cash Bonus Plan. Mr. Leeds salary for 2017 is set at $726,000.

Bruce Leeds

Bruce Leeds has no employment agreement and is an "at will" employee. Base salary accounted for 61% and bonus accounted for 37% of Mr. Leeds total cash compensation for 2016. Mr. Leeds' bonus for 2016 was determined as described above under the heading 2016 NEO Cash Bonus Plan. Mr. Leeds salary for 2017 is set at $601,000.

Robert Leeds

Robert Leeds has no employment agreement and is an "at will" employee. Base salary accounted for 61% and bonus accounted for 36% of Mr. Leeds total cash compensation for 2016. Mr. Leeds' bonus for 2016 was determined as described above under the heading 2016 NEO Cash Bonus Plan. Mr. Leeds salary for 2017 is set at $610,000.

Lawrence Reinhold

The Company entered into an employment agreement with Mr. Reinhold on January 17, 2007. The agreement provides for a minimum base salary of $400,000 (which may be increased at the discretion of the Company) and a bonus (which the agreement states is expected to be at least equal to 50% of the base salary) assuming Mr. Reinhold meets certain performance objectives (including the Company's financial performance objectives) established for him by the Company. He is entitled to receive a car allowance or a Company-leased car.

Base salary accounted for 53% and bonus accounted for 43% of Mr. Reinhold's total cash compensation for 2016. Mr. Reinhold's bonus for 2016 was determined as described above under the heading 2016 NEO Cash Bonus Plan. Mr. Reinhold's salary for 2017 is set at $715,000. Compensation that may become payable following the termination of his employment or a change in control of the Company, and other terms of the employment agreement related to such events, are discussed below under "—Potential Payments Upon Termination or Change in Control."

In February 2016, Mr. Reinhold received a grant of 50,000 restricted stock units under the 2010 Long-Term Incentive Plan, which vest in three installments: 16,667 Shares on February 1, 2017; 16,667 Shares on February 1, 2018; and 16,666 Shares on February 1, 2019. In addition, in February 2016, Mr. Reinhold was granted an option to purchase 50,000 Shares of common stock pursuant to the 2010 Long-Term Incentive Plan (vesting over a period of four years with 25% of the options vesting on the first, second, third and fourth anniversary dates of the grant date). In December 2016, Mr. Reinhold was granted an option to purchase 100,000 Shares of common stock pursuant to the 2010 Long-Term Incentive Plan (vesting over a period of four years with 25% of the options vesting on the first, second, third and fourth anniversary dates of the grant date).

Thomas Clark

Mr. Clark has no employment agreement and is an "at will" employee. Base salary accounted for 73% and bonus accounted for 24% of Mr. Clark's total cash compensation for 2016. Mr. Clark's bonus for 2016 was determined as described above under the heading 2016 NEO Cash Bonus Plan. Mr. Clark's salary for 2017 is set at $362,000. Compensation that may become payable following the termination of his employment or a change in control of the Company, are discussed below under "—Potential Payments Upon Termination or Change in Control."

In February 2016, Mr. Clark received a grant of 25,000 restricted stock units under the 2010 Long-Term Incentive Plan, which vest in three installments: 8,334 Shares on February 1, 2017; 8,333 Shares on February 1, 2018; and 8,333 Shares on February 1, 2019. In addition, in February 2016, Mr. Clark was granted an option to purchase 10,000 Shares of common stock pursuant to the 2010 Long-Term Incentive Plan (vesting over a period of four years with 25% of the options vesting on the first, second, third and fourth anniversary dates of the grant date). In November 2016, Mr. Clark was granted an option to purchase 50,000 Shares of common stock pursuant to the 2010 Long-Term Incentive Plan (vesting over a period of four years with 25% of the options vesting on the first, second, third and fourth anniversary dates of the grant date).

Robert Dooley

Mr. Dooley has no employment agreement and is an "at will" employee. Base salary accounted for 75% and bonus accounted for 22% of Mr. Dooley's total cash compensation for 2016. Mr. Dooley's bonus for 2016 was determined as described above under the heading 2016 NEO Cash Bonus Plan. Mr. Dooley's salary for 2017 is set at $520,000. Compensation that may become payable following the termination of his employment or a change in control of the Company, are discussed below under "—Potential Payments Upon Termination or Change in Control."

In February 2016, Mr. Dooley was granted an option to purchase 50,000 Shares of common stock pursuant to the 2010 Long-Term Incentive Plan (vesting over a period of four years with 25% of the options vesting on the first, second, third and fourth anniversary dates of the grant date). In addition, in December 2016 Mr. Dooley was granted an option to purchase 50,000 shares of common stock pursuant to the 2010 Long-Term Incentive Plan (vesting over a period of four years with 25% of the options vesting on the first, second, third and fourth anniversary dates of the grant date).

Eric Lerner

The Company entered into an employment agreement with Mr. Lerner on April 12, 2012. The agreement provides for a minimum base salary of $480,000 (which may be increased at the discretion of the Company) and a bonus (which the agreement states is expected to be at least equal to 50% of the base salary) assuming Mr. Lerner meets certain performance objectives (50% of such bonus is based on the performance objective for the Company under its NEO cash bonus plan for the applicable year and 50% of such bonus is based on the achievement of performance objectives established for him by the Company). He is entitled to receive a car allowance.

Base salary accounted for 79% and bonus accounted for 17% of Mr. Lerner total cash compensation for 2016. Mr. Lerner's bonus for 2016 was determined as described above under the heading 2016 NEO Cash Bonus Plan. Mr. Lerner's salary for 2017 is set at $576,000. Compensation that may become payable following the termination of his employment, and other terms of the employment agreement related to such event, are discussed below under "—Potential Payments Upon Termination or Change in Control."

In February 2016, Mr. Lerner received a grant of 25,000 restricted stock units under the 2010 Long-Term Incentive Plan, which vest in three installments: 8,334 Shares on February 1, 2017; 8,333 Shares on February 1, 2018; and 8,333 Shares on February 1, 2019. In addition, in February 2016, Mr. Lerner was granted an option to purchase 25,000 Shares of common stock pursuant to the 2010 Long-Term Incentive Plan (vesting over a period of four years with 25% of the options vesting on the first, second, third and fourth anniversary dates of the grant date).

Pursuant to his employment agreement, in May 2012 Mr. Lerner was granted an option to purchase 25,000 Shares of common stock pursuant to the 2010 Long-Term Incentive Plan (vesting over a period of four years with 25% of the options vesting on the first, second, third and fourth anniversary dates of the grant date). In addition, his employment agreement provides on each of the first, second and third anniversary dates of his commencement date he will receive an additional option to acquire at least an additional 25,000 Shares of Company's common stock (each grant will vest over a period of four years with 25% of the options for each grant vesting on the first, second, third and fourth anniversary dates of such grant dates). The decision by the Compensation Committee to award Mr. Lerner stock options was based on a desire to align his interests with those of the Company's stockholders.

Compensation Committee Report to Stockholders*

The Compensation Committee of the Board has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, which appears in this proxy statement, with our management. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement on Schedule 14A.

COMPENSATION COMMITTEE
Robert D. Rosenthal (Chairman)
Stacy Dick
Marie Adler-Kravecas

* The information contained in this Compensation Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any filings under the Securities Act of 1933, as amended, which we refer to as the Securities Act, or under the Exchange Act, except to the extent that we specifically incorporate this information by reference into any such filing.

Compensation Committee Interlocks and Insider Participation

The members of the Company's Compensation Committee for fiscal year 2016 were Mr. Rosenthal, Mr. Dick and Ms. Adler-Kravecas. The Company does not employ any member of the Compensation Committee and no member of the Compensation Committee has ever served as an officer of the Company. In addition, none of our directors serving on the Compensation Committee has any relationship that requires disclosure under SEC regulations.

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned by the Named Executive Officers for fiscal years 2014, 2015 and 2016:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)	Total ($)
Richard Leeds	2016	734,450				435,000	30,000(4)	1,199,450
Executive Chairman	2015	731,000				560,000	29,200	1,320,200
	2014	701,000				150,000	25,200	876,200
Bruce Leeds	2016	600,000				362,000	30,000 (4)	992,000
Vice Chairman	2015	599,000				351,000	29,200	979,200
	2014	568,000				100,000	25,200	693,200
Robert Leeds	2016	604,000				362,000	30,000 (4)	996,000
Vice Chairman	2015	607,000				351,000	29,200	987,200
	2014	577,000				100,000	25,200	702,200
Lawrence Reinhold	2016	717,000		415,500	666,500	582,000	51,683(5)	2,432,969
President & Chief Executive Officer	2015	694,000				816,000	33,100	1,543,100
	2014	660,000				580,500	29,100	1,269,600
Thomas Clark(6)	2016	231,548		207,750	218,200	75,000	16,548 (7)	749,046
Vice President & Chief Financial Officer	2015	-	-	-	-	-	-	-
	2014	-	-	-	-	-	-	-
Robert Dooley	2016	514,000			463,000	150,000	24,975(8)	1,152,128
President of the Company's Industrial Products Group	2015	484,000	82,000			318,000	21,900	905,900
	2014	450,000				331,000	21,900	802,900
Eric Lerner	2016	572,000		207,750	129,750	125,000	24,475(9)	1,059,199
Senior Vice President and General Counsel	2015	552,000	169,000		111,000	106,000	21,900	959,900
	2014	532,000	170,000		196,750	185,000	21,900	1,105,650

(1) This column represents the fair value of the stock award on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 9 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal year 2016.

(2) This column represents the fair value of the stock option on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. These amounts were calculated using the Black-Scholes option-pricing model. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 9 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal year 2016.

(3) The 2014 figures in this column represent the amount earned in fiscal year 2014 (although paid in fiscal year 2015) pursuant to the 2014 Bonus Plan; the 2015 figures in this column represent the amount earned in fiscal year 2015 (although paid in fiscal year 2016) pursuant to the 2015 Bonus Plan; and the 2016 figures in this column represent the amount earned in fiscal year 2016 (although paid in fiscal year 2017) pursuant to the 2016 Bonus Plan. For more information, see the Grants of Plan-Based Awards table below. Because these payments were based on predetermined performance metrics, these amounts are reported in the Non-Equity Incentive Plan column.

(4) Auto-related expenses.

(5) Includes auto-related expenses ($30,000), Company 401(k) contributions ($3,900), and dividend equivalent payments on unvested restricted stock ($17,783).

(6) Mr. Clark was not a Named Executive Officer prior to October 2016, and therefore no amounts are reported for fiscal years 2014 or 2015 in the Summary Compensation Table.

(7) Includes auto-related expenses ($11,100), Company 401(k) contributions ($2,948), and dividend equivalent payments on unvested restricted stock ($2,500).

(8) Includes auto-related expenses ($18,000), Company 401(k) contributions ($3,975), and dividend equivalent payments on unvested restricted stock ($3,000).

(9) Includes auto-related expenses ($18,000), Company 401(k) contributions ($3,975), and dividend equivalent payments on unvested restricted stock ($2,500).

GRANTS OF PLAN-BASED AWARDS

The following table sets forth the estimated possible payouts under the cash incentive awards granted to our Named Executive Officers in respect of 2016 performance under the 2016 NEO Plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($/Sh)
		Threshold ($)	Target ($)	Maximum ($)				
Richard Leeds		94,500	1,050,000	2,730,000	-	-	-	-
Bruce Leeds		78,975	877,500	2,281,500	-	-	-	-
Robert Leeds		78,975	877,500	2,281,500	-	-	-	-
Lawrence Reinhold		126,900	1,410,000	3,666,000				
	2/1/16				50,000(3)	50,000	8.31	5.19
	12/14/16				-	100,000	8.95	4.07
Thomas Clark		12,320	100,000	177,000				
	2/1/16				25,000(4)	10,000	8.31	3.17
	11/10/16				-	50,000	8.32	3.73
Robert Dooley		60,000	500,000	925,000				
	2/1/16				-	50,000	8.31	5.19
	12/14/16				-	50,000	8.95	4.07
Eric Lerner		93,500	550,000	990,000				
	2/1/16				25,000(4)	25,000	8.31	5.19

(1) Amounts presented assume payment of threshold, target and maximum awards at the applicable level.

(2) The options awarded to Messrs. Reinhold, Clark, Dooley and Lerner in 2016 vest in equal portions on the first, second, third and fourth anniversaries of the grant date, subject to certain restrictions.

(3) The restricted stock vests in three installments: 16,667 Shares on February 1, 2017; 16,667 Shares on February 1, 2018; and 16,666 Shares on February 1, 2019.

(4) The restricted stock vests in three installments: 8,334 Shares on February 1, 2017; 8,333 Shares on February 1, 2018; and 8,333 Shares on February 1, 2019.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END 2016

The following table sets forth information regarding stock option and restricted stock awards previously granted which were outstanding at the end of fiscal year 2016.

The market value of the unvested stock award is based on the closing price of one share of our common stock as of December 30, 2016, the last trading day of the 2016 fiscal year, which was $8.77.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Lawrence Reinhold	50,000	-	11.51	3/13/18	-	-
	100,000	-	13.19	5/18/19	70,000(2)	$613,900
	50,000	-	14.30	11/14/21	50,000(3)	$438,500
	-	50,000(1)	8.31	2/1/26	50,000(4)	$438,500
	-	100,000(1)	8.95	12/14/26	-	-
Thomas Clark	5,000	-	16.63	8/9/20	-	-
	5,000	-	18.73	3/1/22	-	-
	-	10,000(1)	8.31	2/1/26	25,000(5)	$219,250
		50,000(1)	8.32	11/10/26	-	-
Robert Dooley	10,000	-	19.39	6/7/17	-	-
	50,000	-	18.73	3/1/22	30,000(6)	$263,100
	-	50,000(1)	8.31	2/1/26	-	-
	-	50,000(1)	8.95	12/14/26	-	-
Eric Lerner	25,000	-	14.55	5/3/22	-	-
	18,750	6,250(1)	9.53	5/3/23	-	-
	12,500	12,500 (1)	16.61	5/2/24	-	-
	6,250	18,750 (1)	10.62	5/2/25	-	-
	-	25,000(1)	8.31	2/1/26	25,000(5)	$219,250

(1) Options vest 25% per year over four years from date of grant.

(2) Restricted stock units vest in ten equal annual installments of 17,500 beginning May 15, 2011.

(3) Restricted stock units vest in ten equal annual installments of 10,000 beginning November 14, 2012.

(4) Restricted stock units vest in three installments: 16,667 Shares on February 1, 2017; 16,667 Shares on February 1, 2018; and 16,666 Shares on February 1, 2019.

(5) Restricted stock units vest in three installments: 8,334 Shares on February 1, 2017; 8,333 Shares on February 1, 2018; and 8,333 Shares on February 1, 2019.

(6) Restricted stock units vest in ten equal annual installments of 5,000 beginning March 1, 2013.

OPTION EXERCISES AND STOCK VESTED

The following table sets forth information regarding exercise of options to purchase Shares of the Company's common stock and vesting of restricted stock units by the Named Executive Officers that exercised options or whose restricted stock units vested during fiscal year 2016:

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($) (1)
Lawrence Reinhold	-	-	17,500(2)	156,100
			10,000(3)	88,600
Robert Dooley	-	-	5,000(4)	43,200

(1) The amount in this column reflects the aggregate dollar amount realized upon the vesting of the restricted stock unit, determined by the market value of the underlying Shares of common stock on the vesting date.

(2) Pursuant to a grant of restricted stock units on August 25, 2010, the restricted stock units vest in ten equal annual installments of 17,500 units each, beginning on May 15, 2011.

(3) Pursuant to a grant of restricted stock units on November 14, 2011, the restricted stock units vest in ten equal annual installments of 10,000 units each, beginning on November 14, 2012.

(4) Pursuant to a grant of restricted stock units on March 1, 2012, the restricted stock units vest in ten equal annual installments of 5,000 units each, beginning on March 1, 2013.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Lawrence Reinhold

Mr. Reinhold's employment agreement is terminable upon death or total disability, by the Company for "cause" (as defined) or without cause, or by Mr. Reinhold voluntarily for any reason or for "good reason" (as defined). In the event of termination for death, disability, cause or voluntary termination by Mr. Reinhold, the Company will owe no further payments other than as applicable under disability or medical plans and any accrued but unused vacation time (up to four weeks). In the event of termination for disability or death, Mr. Reinhold would also receive the pro rata portion of any bonus which would otherwise be paid based on the average annual bonus received for the prior two years. If Mr. Reinhold resigns for good reason or if the Company terminates him for any reason other than disability, death or cause, he shall also receive in addition to the payments described above for other terminations, severance payments equal to 12 months' base salary (or 24 months' base salary if termination is within 60 days prior to or one year following a "change of control," as defined), one year's bonus based on his average annual bonus for the prior two years and a reimbursement of costs for COBRA insurance coverage. A "Change in Control" means: (i) approval by the stockholders of the Company of (I) a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, with respect to which the Majority Stockholders (as defined) cease to own, directly or indirectly, in the aggregate at least forty percent (40%) of the then outstanding shares of the Company's common stock or the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, in substantially the same proportions as their ownership immediately prior to such reorganization, merger, consolidation or other transaction, or (II) the sale of all or substantially all of the assets of the Company; (ii) the acquisition by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act, of beneficial ownership within the meaning of Rule 13-d promulgated under the Securities Exchange Act which would result in the Majority Stockholders ceasing to own, directly or indirectly, in the aggregate, at least forty percent (40%) of the then outstanding shares of the Company's common stock; or (iii) the approval by the stockholders of the Company of the complete liquidation or dissolution of the Company.

Pursuant to Mr. Reinhold's restricted stock unit agreements (dated August 25, 2010 and November 14, 2011), if Mr. Reinhold is terminated for cause, any unvested portion of his restricted stock units will terminate and be forfeited. In the event of a change in control, Mr. Reinhold will become immediately vested in all of the restricted stock units held by him as of the date of the change in control. If Mr. Reinhold's employment is terminated without cause or for good reason, he will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of Shares of common stock of the Company that are represented by those vested restricted stock units. If Mr. Reinhold's employment is terminated due to disability or death, his estate or designated beneficiary(ies), whichever is applicable, will become immediately vested in 50% of the non-vested restricted stock units.

Pursuant to Mr. Reinhold's restricted stock unit agreement (dated February 1, 2016), if Mr. Reinhold is terminated for cause, any unvested portion of his restricted stock units will terminate and be forfeited. In the event of a change in control, Mr. Reinhold will become immediately vested in all of the restricted stock units held by him as of the date of the change in control. If Mr. Reinhold's employment is terminated without cause or for good reason, he will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of Shares of common stock of the Company that are represented by those vested restricted stock units. If Mr. Reinhold's employment is terminated due to disability or death, his estate or designated beneficiary(ies), whichever is applicable, will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of Shares of common stock of the Company that are represented by those vested restricted stock units.

Pursuant to the Company's standard option agreements, in the event Mr. Reinhold's employment is terminated for any reason other than death, disability or cause, the vested portions of his options will be exercisable for up to three months, and the unvested portion will be forfeited. In the event of death or disability, the vested portion of his option will be exercisable for up to one year, and the unvested portion will be forfeited. In the event of termination for cause, all unexercised options (vested and unvested) will be forfeited.

Thomas Clark

Pursuant to Mr. Clark's restricted stock unit agreement (dated February 1, 2016), if Mr. Clark is terminated for cause, any unvested portion of his restricted stock units will terminate and be forfeited. In the event of a change in control, Mr. Clark will become immediately vested in all of the restricted stock units held by him as of the date of the change in control. If Mr. Clark's employment is terminated without cause or for good reason, he will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of Shares of common stock of the Company that are represented by those vested restricted stock units. If Mr. Clark's employment is terminated due to disability or death, his estate or designated beneficiary(ies), whichever is applicable, will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of Shares of common stock of the Company that are represented by those vested restricted stock units.

Pursuant to the Company's standard option agreements, in the event Mr. Clark's employment is terminated for any reason other than death, disability or cause, the vested portions of his options will be exercisable for up to three months, and the unvested portion will be forfeited. In the event of death or disability, the vested portion of his option will be exercisable for up to one year, and the unvested portion will be forfeited. In the event of termination for cause, all unexercised options (vested and unvested) will be forfeited.

Robert Dooley

Pursuant to Mr. Dooley's restricted stock unit agreement (dated March 1, 2012), if Mr. Dooley is terminated for cause, any unvested portion of his restricted stock units will terminate and be forfeited. In the event of a change in control, Mr. Dooley will become immediately vested in all of the restricted stock units held by him as of the date of the change in control. If Mr. Dooley's employment is terminated without cause or for good reason, he will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of shares of common stock of the Company that are represented by those vested restricted stock units. If Mr. Dooley's employment is terminated due to disability or death, his estate or designated beneficiary(ies), whichever is applicable, will become immediately vested in 50% of the non-vested restricted stock units.

Pursuant to the Company's standard option agreements, in the event Mr. Dooley's employment is terminated for any reason other than death, disability or cause, the vested portions of his options will be exercisable for up to three months, and the unvested portion will be forfeited. In the event of death or disability, the vested portion of his option will be exercisable for up to one year, and the unvested portion will be forfeited. In the event of termination for cause, all unexercised options (vested and unvested) will be forfeited.

Eric Lerner

Mr. Lerner's employment agreement is terminable upon death or total disability, by the Company for "cause" (as defined) or without cause, or by Mr. Lerner voluntarily for any reason or for "good reason" (as defined). In the event of termination for death, disability, cause or voluntary termination by Mr. Lerner, the Company will owe no further payments other than as applicable under disability or medical plans and any accrued but unused vacation time (up to four weeks). In the event of termination for disability or death, Mr. Lerner would also receive the pro rata portion of any bonus which would otherwise be paid based on the average annual bonus received for the prior two years. If Mr. Lerner resigns for good reason or if the Company terminates him for any reason other than disability, death or cause, he shall also receive in addition to the payments described above for other terminations, severance payments equal to 12 months' base salary, one year's bonus based on his average annual bonus for the prior two years and a reimbursement of costs for COBRA insurance coverage for twelve months.

Pursuant to Mr. Lerner's restricted stock unit agreement (dated February 1, 2016), if Mr. Lerner is terminated for cause, any unvested portion of his restricted stock units will terminate and be forfeited. In the event of a change in control, Mr. Lerner will become immediately vested in all of the restricted stock units held by him as of the date of the change in control. If Mr. Lerner's employment is terminated without cause or for good reason, he will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of Shares of common stock of the Company that are represented by those vested restricted stock units. If Mr. Lerner's employment is terminated due to disability or death, his estate or designated beneficiary(ies), whichever is applicable, will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of Shares of common stock of the Company that are represented by those vested restricted stock units.

Pursuant to the Mr. Lerner's option agreements, in the event Mr. Lerner's employment is terminated for any reason other than death, disability or cause, the vested portions of his options will be exercisable for up to three months, and the unvested portion will be forfeited. In the event of death or disability, the vested portion of his option will be exercisable for up to one year, and the unvested portion will be forfeited. In the event of termination for cause, all unexercised options (vested and unvested) will be forfeited. If Mr. Lerner's employment is terminated without cause or for good reason within six months following a "change in control", he will become immediately vested in all outstanding unvested stock options, and all of Mr. Lerner's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination.

Termination of Employment Without Change in Control

The following table sets forth the severance payments that would have been made had the employment of Mr. Reinhold, Mr. Clark, Mr. Dooley or Mr. Lerner been terminated by the Company without cause or by them for "good reason" in a situation not involving a change in control, based on a hypothetical termination date of December 31, 2016, the last day of the Company's fiscal year 2016, and using the closing price of our common stock on December 30, 2016, the last trading day of the 2016 fiscal year. These amounts are estimates and the actual amounts to be paid can only be determined at the time of the termination of the officer's employment.

Name	Cash Compensation (Salary and Bonus) ($)	Value of Accelerated Vesting of Stock & Option Awards ($)	Medical and Other Benefits ($)	Total ($)
Lawrence Reinhold	1,416,000(1)	1,490,900(2)	14,578(3)	2,921,478
Thomas Clark	-	219,250(4)	-	219,250
Robert Dooley	-	263,100(5)	-	263,100
Eric Lerner	784,500(6)	219,250(7)	24,701(3)	1,028,451

(1) Represents one year's salary of $717,000 and an average yearly cash bonus of $699,000 paid to Mr. Reinhold for fiscal years 2015 and 2016. Mr. Reinhold would also receive the bonus amount in the event of his death or disability.

(2) Represents accelerated vesting of 170,000 unvested restricted stock units granted to Mr. Reinhold if terminated without cause or for good reason. Pursuant to Mr. Reinhold's restricted stock unit agreements (dated August 25, 2010 and November 14, 2011), on the event of Mr. Reinhold's death or disability, 60,000 restricted stock units (50% of the unvested restricted stock units granted under such agreements at December 31, 2016) would vest, having a value of $526,200, based on a termination date of December 31, 2016 and using a closing price of our stock on December 30, 2016, the last trading day of the 2016 fiscal year. Pursuant to Mr. Reinhold's restricted stock unit agreement (dated February 1, 2016), on the event of Mr. Reinhold's death or disability, 50,000 restricted stock units (100% of the unvested restricted stock units granted under such agreement at December 31, 2016) would vest, having a value of $438,500, based on a termination date of December 31, 2016 and using a closing price of our stock on December 30, 2016, the last trading day of the 2016 fiscal year.

(3) Represents reimbursement of medical and dental insurance payments under COBRA for twelve months.

(4) Represents accelerated vesting of 25,000 unvested restricted stock units granted to Mr. Clark if terminated without cause or for good reason. Pursuant to Mr. Clark's restricted stock unit agreement (dated February 1, 2016), on the event of Mr. Clark's death or disability, 25,000 restricted stock units (100% of the unvested restricted stock units granted under such agreement at December 31, 2016) would vest, having a value of $219,250, based on a termination date of December 31, 2016 and using a closing price of our stock on December 30, 2016, the last trading day of the 2016 fiscal year.

(5) Represents accelerated vesting of 30,000 unvested restricted stock units granted to Mr. Dooley if terminated without cause or for good reason. Pursuant to Mr. Dooley's restricted stock unit agreement (dated March 1, 2012), on the event of Mr. Dooley's death or disability, 15,000 restricted stock units (50% of the unvested restricted stock units granted under such agreements at December 31, 2016) would vest, having a value of $131,550, based on a termination date of December 31, 2016 and using a closing price of our stock on December 30, 2016, the last trading day of the 2016 fiscal year.

(6) Represents one year's salary of $572,000 and an average yearly cash bonus of $212,500 paid to Mr. Lerner for fiscal years 2015 and 2016. Mr. Lerner would also receive the bonus amount in the event of his death or disability.

(7) Represents accelerated vesting of 25,000 unvested restricted stock units granted to Mr. Lerner if terminated without cause or for good reason. Pursuant to Mr. Lerner's restricted stock unit agreement (dated February 1, 2016), on the event of Mr. Lerner's death or disability, 25,000 restricted stock units (100% of the unvested restricted stock units granted under such agreement at December 31, 2016) would vest, having a value of $219,250, based on a termination date of December 31, 2016 and using a closing price of our stock on December 30, 2016, the last trading day of the 2016 fiscal year.

Change in Control Payments

The following table sets forth the change in control payments that would have been made based on a hypothetical change of control date of December 31, 2016, the last day of the Company's fiscal year 2016, and using the closing price of our common stock on December 30, 2016, the last trading day of the 2016 fiscal year. These amounts are estimates and the actual amounts to be paid can only be determined at the time of the change of control.

Name	Cash Compensation (Salary and Bonus) ($)	Value of Accelerated Vesting of Stock & Option Awards ($)	Medical and Other Benefits ($)	Total ($)
Lawrence Reinhold	2,133,000(1)(2)	1,490,900(3)	29,156(4)	3,653,056
Thomas Clark	-	219,250(5)	-	219,250
Robert Dooley	-	263,100(6)	-	263,100
Eric Lerner	784,500(7)	230,750(5)(8)	24,701(9)	1,039,951

(1) Represents two year's salary of $717,000 and an average yearly cash bonus of $699,000 paid to Mr. Reinhold for fiscal years 2015 and 2016.

(2) Payments are made to Mr. Reinhold only if he is terminated without "cause" or resigns for "good reason" within 60 days prior to, or one year following, a Change of Control.

(3) Represents accelerated vesting of 170,000 unvested restricted stock units.

(4) Represents reimbursement of medical and dental insurance payments under COBRA for twenty-four months.

(5) Represents accelerated vesting of 25,000 unvested restricted stock units.

(6) Represents accelerated vesting of 30,000 unvested restricted stock units.

(7) Represents one year's salary of $572,000 and an average yearly cash bonus of $212,500 paid to Mr. Lerner for fiscal years 2015 and 2016.

(8) Represents accelerated vesting of 62,500 unvested stock options (only if terminated without "cause" or resigns for "good reason" within six months following a Change of Control). 37,500 of these options on the hypothetical change of control date of December 31, 2016 have no intrinsic value.

(9) Represents reimbursement of medical and dental insurance payments under COBRA for twelve months.

DIRECTOR COMPENSATION

The Company's policy is not to pay compensation to directors who are also employees of the Company or its subsidiaries. Each non-employee director receives annual compensation as follows: $65,000 per year as base compensation, $10,000 per year for each committee chair, except for the Audit Committee Chair who receives $20,000, and each year immediately following the annual stockholders meeting a grant of Shares of Company stock (restricted for sale for two years) in an amount equal to $40,000 divided by the closing price per share during the 20 trading days preceding the date of the annual meeting (rounded up to the nearest whole number of shares). Through 2016 the annual restricted stock grants to non-employee directors were made pursuant to the Company's 2006 Stock Incentive Plan for Non-Employee Directors, which was approved by the Company's stockholders at the 2006 Annual Stockholders' Meeting. After the 2016 grant the annual restricted stock grants to non-employee directors will be made pursuant to the Company's 2010 Long-Term Incentive Plan, which was approved by the Company's stockholders at the 2010 Annual Stockholders' Meeting. The Lead Independent Director, currently Mr. Rosenthal, also receives an additional $20,000 per year. In addition, each non-employee director received a one-time grant of 10,000 options on October 31, 2016 made pursuant to the Company's 2010 Long-Term Incentive Plan. Directors are reimbursed for reasonable travel and out-of-pocket expenses incurred for attending Board and Committee meetings and are covered by our travel accident insurance policy for such travel.

Director Compensation for Fiscal Year 2016

The following table sets forth compensation information regarding payments in 2016 to our non-employee directors:

Name:	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards $(2)	Total ($)
Robert D. Rosenthal	105,000	40,000	34,904	179,904
Stacy Dick	85,000	40,000	34,904	159,904
Marie Adler-Kravecas	65,000	40,000	34,904	139,904

(1) This column represents the fair value of the stock award on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 9 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal year 2016.

(2) This column represents the fair value of the stock option on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. These amounts were calculated using the Black-Scholes option-pricing model. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 9 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal year 2016.

The following table presents the aggregate number of unvested restricted stock awards and stock option awards held by each of our non-employee directors at the end of fiscal year 2016:

Name:	Stock Awards	Option Awards
Robert D. Rosenthal	8,835	10,000 (unvested)
Stacy Dick	8,835	10,000 (unvested)
Marie Adler-Kravecas	8,835	10,000 (unvested) 5,000 (vested)

PROPOSAL NO. 2
NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The guiding principles of the Company's compensation policies and decisions include aligning each executive's compensation with the Company's business strategy and the interests of our stockholders and providing incentives needed to attract, motivate and retain key executives who are important to our long-term success. Consistent with this philosophy, a significant portion of the total incentive compensation for each of our executives is directly related to the Company's financial results and to other performance factors that measure our progress against the goals of our strategic and operating plans.

Stockholders are urged to read the Compensation Discussion and Analysis section of this Proxy Statement, which discusses how our compensation design and practices reflect our compensation philosophy. The Compensation Committee and the Board believe that our compensation design and practices are effective in implementing our guiding principles.

We are required to submit a proposal to stockholders for a (non-binding) advisory vote to approve the compensation of our Named Executive Officers pursuant to Section 14A of the 1934 Act. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on the compensation of our Named Executive Officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the principles, policies and practices described in this proxy statement.

Accordingly, the following resolution is submitted for stockholder vote at the 2017 Annual Meeting:

"RESOLVED, that the stockholders of Systemax Inc. approve, on an advisory basis, the compensation of its Named Executive Officers as disclosed in the Proxy Statement for the 2017 Annual Meeting, including the Summary Compensation Table and the Compensation Discussion and Analysis set forth in such Proxy Statement and other related tables and disclosures."

The affirmative vote of a majority of the votes cast for this proposal is required to approve, on an advisory basis, the compensation of the Company's Named Executive Officers, as disclosed in this proxy statement.

As this is an advisory vote, the result will not be binding on the Company, the Board or the Compensation Committee, although our Compensation Committee will consider the outcome of the vote when evaluating our compensation principles, design and practices. Proxies submitted without direction pursuant to this solicitation will be voted "FOR" the approval of the compensation of the Company's Named Executive Officers, as disclosed in this proxy statement.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF ITS NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT, WHICH IS DESIGNATED AS PROPOSAL NO. 2.

PROPOSAL NO. 3
RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

Action is to be taken at the Annual Meeting to ratify the selection of Ernst & Young LLP as independent registered public accountants for the Company for fiscal year 2017.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and to be available to respond to appropriate questions. They will have an opportunity to make a statement if they so desire.

Principal Accounting Fees and Services

The following are the fees billed by Ernst & Young LLP for services rendered during fiscal years 2015 and 2016:

Audit and Audit-related Fees

Ernst & Young billed the Company $1,577,655 for professional services rendered for the audit of the Company's annual consolidated financial statements for fiscal year 2016 and its reviews of the interim financial statements included in the Company's Forms 10-Q for that fiscal year and $3,081,000 for such services rendered for fiscal year 2015. Ernst & Young also billed the Company $181,544 related to subsidiary statutory audits in 2016.

In accordance with the SEC's definitions and rules, "audit fees" are fees that were billed to the Company by Ernst & Young for the audit of the Company's annual financial statements, to be included in the Form 10-K, and review of financial statements included in the Form 10-Qs; for the audit of the Company's internal control over financial reporting with the objective of obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects; for the attestation of management's report on the effectiveness of internal control over financial reporting; and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements. "Audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of the company's financial statements and internal control over financial reporting, including services in connection with assisting the company in its compliance with its obligations under Section 404 of the Sarbanes-Oxley Act and related regulations.

Tax Fees

Ernst & Young LLP did not provide any professional services for tax compliance, planning or advice in 2016 and 2015.

All Other Fees

Other fees (i.e., those that are not audit fees, audit related fees, or tax fees) of $2,167 were billed by Ernst & Young LLP for each of the fiscal years 2015 and 2016.

The Audit Committee is responsible for approving every engagement of the Company's independent registered public accountants to perform audit or non-audit services on behalf of the Company or any of its subsidiaries before such accountants can be engaged to provide those services. The Audit Committee does not delegate its pre-approval authority. The Audit Committee has reviewed the services provided to the Company by Ernst & Young LLP and believes that the non-audit/review services it has provided are compatible with maintaining the auditor's independence.

Stockholder ratification of the selection of Ernst & Young LLP as the Company's independent registered public accountants is not required by the Company's By-Laws or other applicable legal requirement. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to continue to retain that firm. Even if the selection is ratified, the Audit Committee at its discretion may direct the appointment of different independent registered public accountants at any time during the year or thereafter if it determines that such a change would be in the best interests of the Company and its stockholders.

Vote Required for Approval

Ratification of the selection of Ernst & Young LLP as the Company's independent registered public accountants will require the affirmative vote of the holders of a majority of the Shares present in person or by proxy and entitled to vote on the issue. There are no rights of appraisal or dissenter's rights as a result of a vote on this issue.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR FISCAL YEAR 2017, WHICH IS DESIGNATED AS PROPOSAL NO. 3.

ADDITIONAL MATTERS

Solicitation of Proxies

We are using the Securities and Exchange Commission, or SEC, "Notice Only" rule that allows us to furnish our proxy materials over the internet to our stockholders instead of mailing paper copies of those materials to each stockholder. As a result, beginning on or about April 24, 2017, we sent to most of our stockholders by mail a notice containing instructions on how to access our proxy materials over the internet and vote online. This notice is not a proxy card and cannot be used to vote your Shares. If you received only a notice this year, you will not receive paper copies of the proxy materials unless you request the materials by following the instructions on the notice or on the website referred to in the notice.

The Proxy Statement and Annual Report on Form 10-K for fiscal year 2016 are available at www.proxyvote.com.

The cost of soliciting proxies for the Annual Meeting will be borne by the Company. In addition to solicitation by mail and over the internet, solicitations may also be made by personal interview, fax and telephone. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to their principals and the Company will reimburse them for expenses in so doing. Consistent with the Company's confidential voting procedure, directors, officers and other regular employees of the Company, as yet undesignated, may also request the return of proxies by telephone or fax, or in person.

Stockholder Proposals

Stockholder proposals intended to be presented at the 2018 annual meeting, including proposals for the nomination of directors, must be received by December 26, 2017 to be considered for the 2018 annual meeting pursuant to Rule 14a-8 under the Exchange Act. Stockholders proposals should be mailed to Systemax Inc., Attention: Investor Relations, 11 Harbor Park Drive, Port Washington, NY 11050.

Other Matters

The Board does not know of any matter other than those described in this proxy statement that will be presented for action at the meeting. If other matters properly come before the meeting, the persons named as proxies intend to vote the Shares they represent in accordance with their judgment.

A COPY OF THE COMPANY'S FORM 10-K FOR FISCAL YEAR 2016 IS INCLUDED AS PART OF THE COMPANY'S ANNUAL REPORT ALONG WITH THIS PROXY STATEMENT, WHICH ARE AVAILABLE AT www.proxyvote.com.

Available Information

The Company maintains an internet web site at *www.systemax.com*. The Company files reports with the Securities and Exchange Commission and makes available free of charge on or through this web site its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including all amendments to those reports. These are available as soon as is reasonably practicable after they are filed with the SEC. All reports mentioned above are also available from the SEC's web site (*www.sec.gov*). The information on the Company's web site or any report the Company files with, or furnishes to, the SEC is not part of this proxy statement.

The Board has adopted the following corporate governance documents (the "Corporate Governance Documents"):

- Corporate Ethics Policy for officers, directors and employees;
- Charter for the Audit Committee of the Board;
- Charter for the Compensation Committee of the Board;
- Charter for the Nominating/Corporate Governance Committee of the Board; and
- Corporate Governance Guidelines and Principles.

In accordance with the corporate governance rules of the New York Stock Exchange, each of the Corporate Governance Documents is available on the Company's Company web site (*www.systemax.com*). A copy of the Audit Committee Charter is also attached hereto as Appendix A

Appendix A

AUDIT COMMITTEE CHARTER

FOR

SYSTEMAX INC.

(revised March 15, 2017)

Purpose of Committee

The purpose of the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Systemax Inc. (the "**Company**") is to (a) assist the Board with oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the Company's independent auditor's qualifications and independence, and (iv) the performance of the Company's internal audit function and independent auditors; and (b) prepare the report that U.S. Securities and Exchange Commission rules require be included in the Company's annual proxy statement.

The function of the Committee is oversight. It is not the Committee's responsibility to certify the Company's financial statements or to guarantee the report of the independent auditor. The Company's management is responsible for the (i) preparation, presentation and integrity of the Company's financial statements, (ii) maintenance of appropriate accounting and financial reporting principles and policies, and (iii) maintenance of internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditor is responsible for planning and carrying out a proper audit and reviews. In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Company. As such, it is not the duty or responsibility of the Committee or its members to conduct auditing or accounting reviews or procedures, except to the extent described below under "Performance Evaluation".

Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information and (ii) the accuracy of the financial and other information provided to the Committee by such persons and organizations absent actual knowledge to the contrary (which shall be promptly reported to the Company's Board). In addition, the evaluation of the Company's financial statements by the Committee is not of the same scope as, and does not involve the extent of detail as, audits performed by the independent auditor, nor does the Committee's evaluation substitute for the responsibilities of the Company's management for preparing, or the independent auditor for auditing, the financial statements.

Committee Duties and Responsibilities

The duties and responsibilities of the Committee are to:

1. Retain and terminate the Company's independent auditors (subject, if applicable, to shareholder ratification). The Committee shall oversee the rotation of the audit partners of the independent auditors as required by the Sarbanes-Oxley Act of 2002. The Committee shall have the sole authority to approve and/or pre-approve all audit engagement fees and terms, as well as all non-audit engagement fees and terms with the independent auditor. The Committee shall not engage the independent auditor to perform non-audit services proscribed by law or regulation. The Committee need not pre-approve non-audit services that fall within the "De Minimis Exception" set forth in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended;

2. At least annually, obtain and review a report by the independent auditor consistent with Independence Standards Board of Directors Standard No. 1, describing: (a) the independent auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and (c) (to assess the auditor's independence) all relationships between the independent auditor and the Company. After reviewing the foregoing report and the independent auditor's work throughout the year, the Committee shall evaluate the auditor's qualifications, performance and independence. This evaluation shall include the review and evaluation of the lead partner of the independent auditor. In making its evaluation, the

Committee shall take into account the opinions of management and the Company's internal auditors (or other personnel responsible for the internal audit function). The Committee shall present its conclusions with respect to the independent auditor to the full Board;

3. Review and discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and provide the annual Audit Committee report required by the SEC for inclusion in the Company's annual report on Form 10-K, and otherwise report to the stockholders of the Company in accordance with the rules and regulations of the SEC.

4. Review and discuss with management earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. This discussion may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The Committee is not required to discuss in advance each earnings press release or each instance in which the Company provides earnings guidance;

5. As appropriate, obtain advice and assistance from outside legal, accounting or other advisors;

6. Review and discuss with management policies with respect to risk assessment and risk management. While it is the job of the chief executive officer and senior management to assess and manage the Company's exposure to risk under the oversight of the Board of Directors, the Committee shall discuss guidelines and policies to govern the process by which this is handled, including working together with the Compensation Committee regarding the Company's compensation policies for all its employees as they relate to the Company's risk management goals and objectives. The Committee shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;

7. Periodically meet separately with management, with internal auditors (or other personnel responsible for the internal audit function), and with independent auditors;

8. Annually discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management. The discussion shall address, to the extent applicable, any accounting adjustments that were noted or proposed by the independent auditor but were "passed" (as immaterial or otherwise), any communications between the audit team and the auditor's national office with respect to auditing or accounting issues presented by the engagement and any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor. The Committee shall discuss with the independent auditor:

   (a) the responsibilities, budget and staffing of the Company's internal audit function;

   (b) the Company's critical accounting policies and practices;

   (c) alternative treatments of financial information within generally accepted accounting principles related to material items the independent auditors have discussed with management, ramifications of use of the alternative disclosures and treatments, and the treatment preferred by the independent auditors; and

   (d) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

   The Company's directors of internal audit shall report directly to the chief financial officer and the Committee at least four times per fiscal year, or more often as necessary;

9. The Committee shall periodically review and discuss with management and the independent auditor: (a) any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments

made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

10. The Committee shall review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Forms 10-Q about significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting. The Committee shall review with management, the senior internal auditing executive, and the independent auditor, as appropriate, attestations and reports by the independent auditor on internal control over financial reporting.

11. Set clear hiring policies for the hiring by the Company of employees or former employees of the independent auditors;

12. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company, regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

13. Report regularly to the Board. The Committee shall review with the full Board any issues that arise with respect to the quality or integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements, the performance and independence of the Company’s independent auditors, or the performance of the internal audit function;

14. Review the content of CEO and CFO disclosures and certifications under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002; and

15. The Committee shall obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act (relating to reports by the independent auditor made to the Company of illegal acts discovered by the independent auditor) has not been implicated.

Committee Membership

The Committee shall consist of at least three members of the Board, each of whom is, in the business judgment of the Board, “independent” under Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, the rules of the New York Stock Exchange and any other securities exchange on which the Company’s securities are listed. Each member of the Committee shall be financially literate (or shall become so within a reasonable period of time after appointment to the Committee), and at least one member of the Committee shall have “accounting or related financial management expertise” as such qualifications are interpreted by the Board in its business judgment, and qualify as a “financial expert” as defined by the U.S. Securities and Exchange Commission. No Committee member may serve on the audit committees of more than two other public companies, unless the Board has determined that such service will not impair the effectiveness of the member’s service on the Committee. The Board shall periodically determine (a) whether each Committee member meets such independence and experience requirements and (b) whether or not any member of the Committee is an "audit committee financial expert" as that term is defined by the rules and regulations of the Commission.

The members of the Committee shall be appointed by the Board, and shall serve at the pleasure of the Board for such term or terms as the Board may determine.

The compensation to be paid by the Company to any Committee member must consist solely of director’s fees; provided, however, that pension or other deferred compensation that is not contingent on future service to the Company will not be deemed to violate this requirement.

Committee Structure and Operations

A majority of the Committee shall constitute a quorum. The Board shall designate a member of the Committee as its chairperson. The Committee may act by a majority of the members present at a meeting of the Committee. In the event of a tie vote on any issue, the chairperson's vote shall decide the issue. The Committee shall meet in person or telephonically at least four times a year at a time and place determined by the Committee chairperson, with further meetings to occur when deemed necessary or desirable by the Committee or its chairperson. The Committee may delegate some or all of its duties to a subcommittee comprising one or more members of the Committee. The Committee may ask members of management or others whose advice and counsel are relevant to the issues then being considered by the Committee to attend any meetings and to provide such pertinent information as the Committee may request.

Performance Evaluation

The Committee shall review the adequacy of this charter and evaluate its performance hereunder at least annually and present such report to the full Board. Such report shall include any recommended changes to this charter. The Board shall also review and approve this charter at least annually.

While the fundamental responsibility for the Company's financial statements and disclosures rests with management and the independent auditor, the Committee shall review: (i) major issues regarding accounting principles, and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of using alternative methods under generally accepted accounting principles ("**GAAP**") on the financial statements; (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and (iv) earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.

Resources and Authority of the Committee

In discharging its oversight responsibilities, the Committee shall have unrestricted access to the Company's management, books and records and the authority to retain outside counsel, accountants or other consultants in the Committee's sole discretion. The Committee may direct any officer of the Company, the independent auditor and/or the Company's internal audit staff to inquire into and report to the Committee on any matter.

Nothing contained in this charter is intended to, or should be construed as, creating any responsibility or liability of the members of the Committee except to the extent otherwise provided under applicable Delaware law which shall continue to set the legal standard for the conduct of the members of the Committee.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

or

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

For the transition period from to

Commission File Number: 1-13792

Systemax Inc.
(Exact name of registrant as specified in its charter)

Delaware	**11-3262067**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11 Harbor Park Drive
Port Washington, New York 11050
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(516) 608-7000**

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $ .01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

Large Accelerated Filer ☐	Accelerated Filer ☒
Non-Accelerated Filer ☐	Smaller reporting company ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2016, which is the last business day of the registrant's most recently completed second fiscal quarter, was approximately $96,937,794 . For purposes of this computation, all executive officers and directors of the Registrant and all parties to the Stockholders Agreement dated as of June 15, 1995 have been deemed to be affiliates. Such determination should not be deemed to be an admission that such persons are, in fact, affiliates of the Registrant.

The number of shares outstanding of the registrant's common stock as of March 10, 2017 was 36,944,036 shares.
Documents incorporated by reference: Portions of the Proxy Statement of Systemax Inc. relating to the 2017 Annual Meeting of Stockholders are incorporated by reference in Part III hereof.

TABLE OF CONTENTS

PART I

Unless otherwise indicated, all references herein to Systemax Inc. (sometimes referred to as "Systemax," the "Company," or "we") include its subsidiaries.

Forward Looking Statements

This report contains forward looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Additional written or oral forward looking statements may be made by the Company from time to time in filings with the Securities and Exchange Commission or otherwise. Statements contained in this report that are not historical facts are forward looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are based on management's estimates, assumptions and projections and are not guarantees of future performance . Forward looking statements may include, but are not limited to, projections or estimates of revenue, income or loss, exit costs, cash flow needs and capital expenditures, statements regarding future operations, expansion or restructuring plans, including our exit from and winding down of our North American Technology ("NATG") operations, financing needs, compliance with financial covenants in loan agreements, the implementation or performance of technology systems discussed below, the turnaround plans for our UK operations, fluctuations in economic conditions and exchange rates, including factors impacting our substantial international operations, plans for acquisition or sale of assets or businesses, consolidation and integration of operations of acquired businesses, plans relating to products or services of the Company, assessments of materiality, predictions of future events and the effects of pending and possible litigation, as well as assumptions relating to the foregoing. In addition, when used in this report, the words "anticipates," "believes," "estimates," "expects," "intends," and "plans" and variations thereof and similar expressions are intended to identify forward looking statements.

Forward looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified based on current expectations. Consequently, future events and results could differ materially from those set forth in, contemplated by, or underlying the forward looking statements contained in this report. Statements in this report, particularly in "Item 1. Business," "Item 1A. Risk Factors," "Item 3. Legal Proceedings," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Notes to Consolidated Financial Statements describe certain factors, among others, that could contribute to or cause such differences.

Other factors that may affect our future results of operations and financial condition include, but are not limited to, unanticipated developments in any one or more of the following areas, as well as other factors which may be detailed from time to time in our Securities and Exchange Commission filings:

- risks involved with e-commerce, including possible loss of business and customer dissatisfaction if outages or other computer-related problems should preclude customer access to our products and services
- our information systems and other technology platforms supporting our sales, procurement and other operations are critical to our operations and disruptions or delays have occurred and could occur in the future, and if not timely addressed would have a material adverse effect on us
- general economic conditions will continue to impact our business
- technological change has had and can continue to have a material effect on our product mix and results of operations
- sales tax laws or government enforcement priorities may be changed which could result in e-commerce and direct mail retailers having to collect sales taxes in states where the current laws and interpretations do not require us to do so
- our substantial international operations are subject to risks such as fluctuations in currency rates, foreign regulatory requirements and political uncertainty
- and managing various inventory risks, such as being unable to profitably resell excess or obsolete inventory and/or the loss of product return rights and price protection from our vendors
- meeting credit card industry compliance standards in order to maintain our ability to accept credit cards
- timely availability of existing and new products
- risks associated with delivery of merchandise to customers by utilizing common carrier delivery services
- borrowing costs or availability, including our ability to maintain satisfactory credit agreements and to renew credit facilities
- pending or threatened litigation and investigations
- the availability of key personnel
- the continuation of key vendor relationships and the availability of credit insurance to key vendors

Readers are cautioned not to place undue reliance on any forward looking statements contained in this report, which speak only as of the date of this report. We undertake no obligation to publicly release the result of any revisions to these forward looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unexpected events.

Item 1. Business.

General

Systemax Inc. is primarily a direct marketer of brand name and private label products. The Company was incorporated in Delaware in 1995. Certain predecessor businesses which now constitute part of the Company have been in business since 1949. Our headquarters office is located at 11 Harbor Park Drive, Port Washington, New York.

Recent developments

The Company currently operates and is internally managed in two reportable segments - Industrial Products Group ("IPG") and EMEA Technology Products Group ("EMEA"). Smaller business operations and corporate functions are aggregated and reported as an additional segment – Corporate and Other ("Corporate"). As previously disclosed in December 2015, the Company sold certain assets and liabilities of North American Technology Group ("NATG") business and at that time began the wind-down of the remaining business. This wind-down is substantially completed although the Company has continued with collecting accounts receivable, settling accounts payable, marketing remaining leased facilities, as well as, settling remaining lease obligations and other contingencies during the current year. These wind-down activities will continue in 2017.

On September 2, 2016 the Company sold certain assets of its Misco Germany operations which had been reported as part of its EMEA segment. As this disposition was not a strategic shift with a major impact as defined under ASU 2014-08 (described below), prior and current year results of the German operations are presented within continuing operations in the consolidated financial statements. For the year ended December 31, 2016, net sales of Misco Germany included in continuing operations were $33.9 million and the net loss, including approximately $3.7 million of intercompany charges, was $6.4 million.

At December 31, 2016, the Company sold its rebate processing business which had been reported as part of its Corporate and Other ("Corporate") segment. As this disposition was also not a strategic shift with a major impact as defined under ASU 2014-08 (described below), prior and current year results of the rebate processing business are presented within continuing operations in the consolidated financial statements. For the year ended December 31, 2016, net sales of the rebate processing business included in continuing operations were $3.7 million and the net loss was $2.3 million. The Company recorded a gain on this sale in 2016 of approximately $3.9 million.

Operating History and Restructuring of NATG Operations

As disclosed in its Form 10-K for the fiscal year 2015, the Company announced a restructuring of its NATG business in March 2015. The NATG segment sold products categorized as Information and Communications Technology ("ICT") and Consumer Electronics ("CE") products. These products included computers, computer supplies and consumer electronics which were marketed in North America. The Company followed the guidance under Accounting Standards Update ("ASU") 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* which required disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Under ASU 2014-08 in order for a disposal to qualify for discontinued operations presentation in the financial statements, the disposal must be a "strategic shift" with a major impact for the reporting entity. If the entity meets this threshold, only the components that were in operation at the time of disposal are presented as discontinued operations. The sale of the NATG business in December 2015 had a major impact on the Company and therefore met the strategic shift criteria. The NATG components in operation at the time of the sale were the B2B and Ecommerce businesses and three remaining retail stores. Accordingly, these components and the results of operations have been adjusted in the accompanying financial statements to reflect their presentation in discontinued operations. For a discussion of the accounting and wind-down of the NATG business, see Note 1, Note 3 and Note 8 to the consolidated financial statements included in Item 15 of this Form 10-K.

<u>Industrial Products</u>

IPG sells a wide array of maintenance, repair and operational ("MRO") products which are marketed in North America. Most of these products are manufactured by other companies; however, the Company does offer a selection of products that are manufactured for our own design and marketed under the trademarks: *Global™, GlobalIndustrial.com™, Nexel™ Relius™, Paramount™ and Interion™.* Industrial products accounted for 43%, 38% and 26% of our net sales from continuing operations in 2016, 2015 and 2014, respectively reported on a U.S. Generally Accepted Accounting Principles ("GAAP") basis.

<u>Technology Products – EMEA</u>

EMEA sells products categorized as ICT and CE as well as related technical services such as configuration, implementation, network security, and other technical services. These products are primarily marketed in France, the United Kingdom, the Netherlands, Italy, Spain and Sweden and related technical services are marketed in France, the United Kingdom and the Netherlands. Substantially all of these products are manufactured by other companies. EMEA accounted for 57% of our GAAP net sales from continuing operations in 2016, 2015 and 2014, respectively.

<u>Technology Products – NATG</u>

NATG sold ICT and CE products. These products were marketed in North America. Substantially all of these products were manufactured by other companies; however, the Company did offer a selection of products that were manufactured for our own design and marketed on a private label basis. NATG accounted for 0%, 5% and 17% of our GAAP net sales from continuing operations in 2016, 2015 and 2014, respectively.

See Note 3 and Note 12 to the consolidated financial statements included in Item 15 of this Form 10-K for additional financial information about our business as well as information about our geographic operations.

Products

We offer over a million brand name and private label products. We endeavor to expand and keep current the breadth of our product offerings in order to fulfill the increasingly wide range of product needs of our customers.

MRO products offered by our IPG segment include electrical and bulbs; fasteners and hardware; foodservice and appliances; furniture and office; HVAC/R fans; janitorial and maintenance; material handling; medical and laboratory equipment; metalworking and cutting tools; motors and power transmission; office and school supplies; outdoor and grounds maintenance; packaging and supplies; plumbing supplies; pneumatics and hydraulics; raw material and building supply; safety and security; storage and shelving; tools and instruments; vehicle maintenance and workbench and shop desks.

ICT products offered by our EMEA segment include: servers-storage and backup, desktop computers, laptops, tablets, monitors, mobile devices; computer parts and memory; computer components and accessories; networking and security; software; electronics and commercial and home networking. CE products include TV and video; audio; cameras and surveillance; GPS; cell phones; video games; home and electronics accessories.

Sales and Marketing

We market our products primarily to B2B customers, which include for-profit businesses, educational organizations and government entities. We have developed numerous proprietary customer and prospect databases. We have established a multi-faceted direct marketing system to business customers, consisting primarily of our relationship marketers, catalog mailings and proprietary internet websites, the combination of which is intended to maximize sales.

Relationship Marketers

Our relationship marketers focus their efforts on our business customers by establishing a personal relationship between such customers and a Systemax account manager. The goal of the relationship marketing sales force is to increase the purchasing productivity of current customers and to actively solicit newly targeted prospects to become customers. With access to the records we maintain, our relationship marketers are prompted with product suggestions to expand customer order values. In certain countries, we also have the ability to provide such customers with electronic data interchange ("EDI") ordering and customized billing services, customer savings reports and stocking of specialty items specifically requested by these customers. Our relationship marketers' efforts are supported by e-mail campaigns and periodic catalog mailings, both of which are designed to generate inbound telephone sales, and visits to our interactive websites, which allow customers to purchase products directly over the Internet. We believe that the integration of our multiple marketing methods enables us to more thoroughly penetrate our business, educational and government customer base. We believe increased internet exposure leads to more internet-related sales and also generates more inbound telephone sales; just as we believe email campaigns, and to a lesser extent catalog mailings which feature our websites results in greater internet-related sales.

E-commerce

We currently operate multiple e-commerce sites, including:

North America	Europe
www.globalindustrial.com	www.misco.co.uk
www.globalindustrial.ca	www.misco.fr
www.nexelwire.com	www.misco.nl
www.chdistgov.com	www.misco.it
www.industrialsupplies.com	www.misco.es
	www.misco.se
	www.misco.be
	www.inmac-wstore.com

We are continually upgrading the capabilities and performance of these websites in our significant markets. Our internet sites feature over a million MRO and ICT products. Our customers have around-the-clock, online access to purchase products and we have the ability to create targeted promotions for our customers' interests.

In addition to our own e-commerce websites, we have partnering agreements with several of the largest internet shopping and search engine providers who feature our products on their websites or provide "click-throughs" from their sites directly to ours. These arrangements allow us to expand our customer base at an economical cost.

Catalogs

As IPG and EMEA have increased their focus on online and e-commerce advertising, marketing and sales activities, they have decreased their use of hard copy catalogs over the last several years, and currently distribute fewer regular and specialty catalogs than in prior periods.

Customer Service, Order Fulfillment and Support

We generally receive orders through the Internet, by telephone and by EDI. We generally provide toll-free telephone number access for our customers in countries where it is customary. Certain domestic call centers are linked to provide telephone backup in the event of a disruption in phone service.

Certain of our products are carried in stock, and orders for such products are fulfilled on a timely basis directly from our North American and European distribution centers, typically within one day of the order. Orders are generally shipped by third-party delivery services. We maintain relationships with thousands distributors and product vendors in North America and Europe that also deliver products directly to our customers.

We maintain a database of commonly asked questions for our technical support representatives, enabling them to respond quickly to similar questions. We conduct regular on-site training seminars for our sales representatives to help ensure that they are well trained and informed regarding our latest product offerings.

Suppliers

We purchase substantially all of our products and components directly from manufacturers and large wholesale distributors. Two vendors accounted for 10% or more of our purchases in 2016: one vendor accounted for 15.2% and another vendor accounted for 13.8%. Two vendors accounted for 10% or more of our purchases in 2015 and 2014: one vendor accounted for 12.2% and 12.6%, respectively; another vendor accounted for 10.9% and 11.6%, respectively. Excluding NATG operations, no vendor accounted for 10% or more of our purchases in 2015 or 2014. The loss of these vendors, or any other key vendors, could have a material adverse effect on us .

Most private label products are manufactured by third parties to our specifications.

Competition and Other Market Factors

Industrial Products

The market for the sale of industrial products in North America is highly fragmented and is characterized by multiple distribution channels such as small dealerships, direct mail distribution, internet-based resellers, large warehouse stores and retail outlets. We face competition from large diversified MRO distributors such as Grainger Inc., MSC Industrial Direct Inc., Fastenal Inc., and other large retailers, including e-commerce retailers such as Amazon. We also face competition from manufacturers' own sales representatives, who sell industrial equipment directly to customers, and from regional or local distributors. Many high volume purchasers, however, utilize catalog distributors as their first source of product. In the industrial products market, customer purchasing decisions are primarily based on price, product selection, product availability, level of service and convenience. We believe that direct marketing via sales representatives, the internet and catalogs are effective and convenient distribution methods to reach mid-sized facilities that place many small orders and require a wide selection of products. In addition, because the industrial products market is highly fragmented and generally less brand oriented, we believe it is well suited to private label products.

Technology Products

The market for selling technology product is highly competitive, with many U.S., European and Asian companies vying for market share. We face competition from large resellers such as Econocom, Computacenter, Insight and other large retailers. There are few barriers to entry, with these products being sold through multiple channels of distribution, including direct marketers, computer resellers, mass merchants, over the internet, local and national retail computer stores, and by computer and office supply superstores.

Timely introduction of new products or product features and services are critical elements to remaining competitive. Other competitive factors include product performance, quality and reliability, technical support and customer service, marketing and distribution and price. Some of our competitors have stronger brand-recognition, broader product lines and greater financial, marketing, manufacturing and technological resources than us.

Conditions in the EMEA market for technology products remain highly competitive, resulting in our frequent discounting of product sales price as well as offering free or highly discounted freight. These actions have and may continue to adversely affect our revenues and profits. Additionally, we rely in part upon the introduction of new technologies and products by other manufacturers in order to sustain long-term sales growth and profitability. There is no assurance that the rapid rate of such technological advances and product development will continue.

Employees

As of December 31, 2016, we employed a total of approximately 2,800 employees, of whom 1,200 were in North America and 1,600 were in Europe and Asia.

Seasonality

Seasonality does not have a material effect on the Company's continuing IPG and EMEA businesses.

Environmental Matters

Under various national, state and local environmental laws and regulations in North America, Europe and Asia, a current or previous owner or operator (including the lessee) of real property may become liable for the costs of removal or remediation of hazardous substances at such real property. Such laws and regulations often impose liability without regard to fault. We lease most of our facilities. In connection with such leases, we could be held liable for the costs of removal or remedial actions with respect to hazardous substances. Although we have not been notified of, and are not otherwise aware of, any material real property environmental liability, claim or non-compliance, there can be no assurance that we will not be required to incur remediation or other costs in connection with real property environmental matters in the future.

Financial Information About Foreign And Domestic Operations

We currently sell substantially all of our products through established sales channels to our customers in North America (primarily the United States and Canada) and Europe. We also export product to customers located outside of our established sales channels which export sales are de minimis in relation to our overall sales total. Approximately 58.8%, 63.5%, and 65.6% of our GAAP net sales from continuing operations during 2016, 2015 and 2014, respectively were made by subsidiaries located outside of the United States. For information pertaining to our international operations, see Note 12, "Segment and Related Information," to the consolidated financial statements included in Item 15 of this Form 10-K. The following sets forth selected information with respect to our operations, excluding discontinued operations, in those two geographic markets (in millions):

	North America	Europe and Asia	Total
2016			
Net sales	$ 719.2	$ 960.9	$ 1,680.1
Operating income (loss)	$ 16.8	$ (12.7)	$ 4.1
Identifiable assets	$ 290.5	$ 275.6	$ 566.1
2015			
Net sales	$ 801.8	$ 1,052.9	$ 1,854.7
Operating income (loss)	$ (13.5)	$ (10.6)	$ (24.1)
Identifiable assets	$ 470.3	$ 239.8	$ 710.1
2014			
Net sales	$ 914.3	$ 1,189.9	$ 2,104.2
Operating income (loss)	$ 9.4	$ (23.1)	$ (13.7)
Identifiable assets	$ 582.9	$ 314.0	$ 896.9

See Item 7, "Management's Discussions and Analysis of Financial Condition and Results of Operations", for further information with respect to our operations.

Available Information

We maintain an internet website at www.systemax.com. We file reports with the Securities and Exchange Commission ("SEC") and make available free of charge on or through this website our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including all amendments to those reports. These are available as soon as is reasonably practicable after they are filed with the SEC. All reports mentioned above are also available from the SEC's website (www.sec.gov). The information on our website is not part of this or any other report we file with, or furnish to, the SEC.

Our Board of Directors has adopted the following corporate governance documents with respect to the Company (the "Corporate Governance Documents"):

- Corporate Ethics Policy for officers, directors and employees
- Charter for the Audit Committee of the Board of Directors
- Charter for the Compensation Committee of the Board of Directors
- Charter for the Nominating/Corporate Governance Committee of the Board of Directors
- Corporate Governance Guidelines and Principles

In accordance with the listing standards of the New York Stock Exchange, each of the Corporate Governance Documents is available on our Company website (www.systemax.com).

Item 1A. Risk Factors.

There are a number of factors and variables described below that may affect our future results of operations and financial condition. Other factors of which we are currently not aware or that we currently deem immaterial may also affect our results of operations and financial position.

Risks Related to the Economy and Our Industries

- *General economic conditions, such as decreased consumer confidence and spending and reductions in manufacturing capacity have and could continue to result in our failure to achieve our historical sales growth rates and profit levels.*

  Current economic conditions may cause the loss of consumer confidence in the Company's domestic and international markets which we believe resulted in a decrease of spending in the categories of products we sell in 2016, 2015 and 2014, which mostly impacted our now discontinued NATG business and certain of our markets within our EMEA business. With conditions in the EMEA market for technology products remaining highly competitive, reductions in our selling prices and pressure on freight sales, as we have experienced in recent years in most of our markets, have adversely affected our revenue and profits and could continue to do so in the future. It is also possible that as manufacturers react to the marketplace they may reduce manufacturing capacity or allocations to their customers creating shortages of product. Both we and our customers are subject to global political, economic and market conditions, including inflation, interest rates, energy costs, the impact of natural disasters, military action and the threat of terrorism. Our consolidated results of operations are directly affected by economic conditions in North America and Europe. We may experience a decline in sales as a result of poor economic conditions and the lack of visibility relating to future orders, (as well as due to senior management turnover, loss of key employees, disruption due to internal technology platform transitions or inefficient or delayed implementation of strategic initiatives) which occurred in 2013 and 2014 in the discontinued NATG business and to some extent in our EMEA business between 2014 and 2016. Our results of operations depend upon, among other things, our ability to maintain and increase sales volumes with existing customers, our ability to limit price reductions and maintain our margins, our ability to attract new customers and the financial condition of our customers. A decline in the economy that adversely affects our customers, causing them to limit or defer their spending, would likely adversely affect our sales, prices and profitability as well, which occurred in 2013 and 2014 in the discontinued NATG business and to some extent in some of our EMEA business between 2014 and 2016. We cannot predict with any certainty whether we will be able to maintain or improve upon historical sales volumes with existing customers, or whether we will be able to attract new customers.

In response to economic and market conditions, from time to time we have undertaken initiatives to reduce our cost structure where appropriate, as occurred in the discontinued NATG business, in certain EMEA operations, and to lesser extent in our IPG business. These initiatives, as well as any future workforce and facilities reductions, may not be sufficient to meet current and future changes in economic and market conditions and allow us to continue to achieve the growth rates and re-attain the levels of profitability we experienced prior to the recent market downturns. In addition, costs actually incurred in connection with our restructuring actions may be higher than our estimates of such costs and/or may not lead to the anticipated cost savings.

See *Operating History and Restructuring of NATG Operations* for a discussion of the closing of our NATG business in 2015.

- *The markets for our products and services are extremely competitive and if we are unable to successfully respond to our competitors' strategies our sales and gross margins will be adversely affected.*

We may not be able to compete effectively with current or future competitors. The markets for our products and services are intensely competitive and subject to constant technological change. The adverse impact of the boom in mobile device sales on PC and laptop sales, demonstrate how rapid technological change can significantly affect the markets for the products we sell, as occurred in our discontinued NATG business. We expect this competition and technological change to further intensify in the future. Competitive factors include price, availability, service and support and a market with relatively low barriers to entry. Many competitors procure and ship the products we sell and many competitors are selling these products as a commodity at the lowest prices they can and often involving reduced or free freight; further they do not provide any post sale services or support. At the same time, many of our competitors couple the sale of products with various value added services and business solutions in an effort to enhance sales and margins and mitigate the pressure of being only a commodities distributor. Accordingly, we must compete with both low priced/no service offered competitors, as well as higher priced/value added services competitors, and must do so on a selective, customer and product focused basis. We believe the services and support we offer for certain of our products are critical value added services and a competitive differentiator for the Company in the markets and for the products where we choose to offer such service. We believe the services and support we offer enable us to build relationships with our customers that result in repeat purchases, customer loyalty and market penetration. In some of our markets, our services and solutions offerings are in an early form and we will need to continue to invest in and enhance our offerings. If at any time our ability to service and support our customers is curtailed or we do not invest effectively in developing these services, there is a risk that we may suffer a loss of reputation, and customers, which could have a material adverse impact on our sales and profits.

Our e-commerce business faces pressure from competing with large, expanding e-commerce retailers. Many of our competitors are larger companies with greater financial, marketing, services and product development resources than ours. The market for the sale of industrial products in North America is highly fragmented and is characterized by multiple distribution channels such as small dealerships, direct mail distribution, internet-based resellers, large warehouse stores and retail outlets. We face competition from large diversified MRO distributors such as Grainger Inc., MSC Industrial Direct Inc., Fastenal Inc., and other large retailers, including e-commerce retailers such as Amazon. We also face competition from manufacturers' own sales representatives, who sell industrial equipment directly to customers, and from regional or local distributors. In addition, new competitors may enter our markets. This may place us at a disadvantage in responding to competitors' pricing strategies, technological advances and other initiatives, resulting in our inability to increase our revenues or maintain our gross margins in the future.

In most cases our products compete directly with those offered by other manufacturers and distributors. If any of our competitors were to develop products or services that are more cost-effective or technically superior, demand for our product offerings could decrease.

Our gross margins are also dependent on the mix of products we sell and could be adversely affected by a continuation of our customers' shift to lower-priced products.

- *Sales tax laws may be changed or interpreted differently which could result in ecommerce and direct mail retailers having to collect sales taxes in states where the current laws do not require us to do so. This could reduce demand for our products in such states and could result in us having substantial tax liabilities for past sales.*

Our United States subsidiaries collect and remit sales tax in states in which the subsidiaries have physical presence or in which we believe sufficient nexus exists which obligates us to collect sales tax. Other states may, from time to time, claim that we have state-related activities constituting physical nexus to require such collection. Additionally, many other states seek to impose sales tax collection or reporting obligations on companies that sell goods to customers in their state, or directly to the state and its political subdivisions, regardless of physical presence. Such efforts by states have increased recently, as states seek to raise revenues without increasing the income tax burden on residents. We rely on United States Supreme Court decisions which hold that, without Congressional authority, a state may not enforce a sales tax collection obligation on a company that has no physical presence in the state and whose only contacts with the state are through the use of interstate commerce such as the mailing of catalogs into the state and the delivery of goods by mail or common carrier. We cannot predict whether the nature or level of contacts we have with a particular state will be deemed enough to require us to collect sales tax in that state nor can we be assured that Congress or individual states will not approve legislation authorizing states to impose tax collection or reporting obligations on all e-commerce and/or direct mail transactions. A successful assertion by one or more states that we should collect sales tax on the sale of merchandise could result in substantial tax liabilities related to past sales and would result in considerable administrative burdens and costs for us and may reduce demand for our products from customers in such states when we charge customers for such taxes. See *Legal Proceedings.*

- *Events such as acts of war or terrorism, natural disasters, changes in law, or large losses could adversely affect our insurance coverage and insurance expense, resulting in an adverse affect on our profitability and financial condition.*

  We insure for certain property and casualty risks consisting primarily of physical loss to property, business interruptions resulting from property losses, worker's compensation, comprehensive general liability, and auto liability. Insurance coverage is obtained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. Although we believe that our insurance coverage is reasonable, significant events such as acts of war and terrorism, economic conditions, judicial decisions, legislation, natural disasters and large losses could materially affect our insurance obligations and future expense.

- Environmental Matters

  Under various national, state and local environmental laws and regulations in North America, Europe and Asia, a current or previous owner or operator (including the lessee) of real property may become liable for the costs of removal or remediation of hazardous substance at such real property. Such laws and regulation often impose liability without regard to fault. We lease most of our facilities. In connection with such leases, we could be held liable for the costs of removal or remedial actions with respect to hazardous substances. Although we have not been notified of, and nor otherwise aware of, any material real property environmental liability, claim or non-compliance, there can be no assurance that we will not required to incur remediation or other costs in connection with real property environmental matters in the future.

Risks Related to Our Company

- *We rely to a great extent on our information and telecommunications systems, and significant system failures or outages, or our failure to properly evaluate, upgrade or replace our systems, or the failure of our security/safety measures to protect our systems and websites, could have an adverse effect on our results of operations.*

  We rely on a variety of information and telecommunications systems including internally developed software, third party purchased software and third party cloud based software in order to manage our business, including our customer, vendor, employee, facilities, finance, management and corporate operations. Our success is dependent in large part on the accuracy and proper use of our information systems, including our telecommunications systems, which are utilized in all aspects of our business. To manage our growth, we need to continually evaluate the effectiveness and adequacy of our existing systems and procedures to ensure they are keeping pace with changes in our business. These systems, whether internally developed, purchased or cloud based may need to be modified, upgraded or replaced from time to time. System modifications, upgrades or replacements involve costs as well as the risk of implementation delays and not operating as intended. We rely on third parties such as telecommunication carriers, internet service providers and our own employees to provide the technology services and expertise on which we depend. There are risks that third parties may incur outages or circumstances where they cannot provide the services we require as intended or that our employees do not have the expertise to remediate system outages or technical problems that may arise. We have experienced some delays and operational problems in implementing new IT systems in the past. We anticipate that we will regularly need to make capital expenditures to upgrade and modify our management information systems, including software and hardware, as we grow and the needs of our business change. We have disaster recovery systems and system backups are routinely done for certain critical systems, but not for every system. The occurrence of a significant system failure, electrical or telecommunications outages or our failure to ensure our IT employees are properly trained and technically proficient, or that our systems are adequate, effective and beneficial to our business, or our failure to expand or successfully implement new systems could have a material adverse effect on our results of operations.

  Our information systems networks, including our websites, and applications could be adversely affected by viruses or worms and may be vulnerable to malicious acts such as hacking. The availability and efficiency of sales via our websites could also be adversely affected by "denial of service" attacks and other unfair competitive practices. Although we take preventive measures, these procedures may not be sufficient to avoid harm to our operations, which could have an adverse effect on our results of operations.

- *We have exited our NATG business and could incur costs in excess of our estimated exit expenses.*

  In response to significant market pressures described above under the heading *Operating History and Restructuring of NATG operations,* the Company negotiated the sale of certain assets and liabilities of the NATG business. The sale transaction closed on December 1, 2015. The Company has substantially completed most of the NATG wind-down activities, although activities related to collecting remaining accounts receivable, subleasing remaining retail store and warehouse spaces and settling accounts payable and other contingent liabilities continue. The Company expects that additional NATG wind-down costs incurred during 2017 or later will aggregate between $1 and $5 million, which is expected to be presented in discontinued operations.

  There can be no assurance the Company will be able to timely exit its existing lease commitments at currently recorded cost levels. Failure to achieve these expectations will result in increased cash exit costs for the Company .

- *The establishment and integration of our shared service center in Hungary exposes us to various technology, regulatory and economic risks.*

  We opened our shared services center in Budapest, Hungary during the second quarter of 2013 to facilitate the continued growth of our EMEA business through operational efficiencies and enhanced internal processes. This facility provides administrative and back office services for the existing European business. As we have located these functions for all our EMEA business (other than France) in one location, if there were any event that materially, adversely impacted smooth operation of the Hungary shared services center, such as technology and/or communications disruptions or outages, labor/employee disputes, strikes or slowdowns, mass transit issues impacting our employees, or political/economic instability, it would likely have an adverse impact on all of our EMEA business (other than France) and would have a material adverse effect on our results of operations.

  As an incentive to locate in Hungary, the Hungarian Investment and Trade Agency ("HITA") agreed to reimburse the Company for approximately 8% of payroll costs, up to a maximum of approximately $3.1 million, for the first 505 employees hired at the shared service center. The reimbursement is limited to the first twenty four months of employment for employees hired by December 2015 (or such lower number of employees as is negotiated with HITA) with all such reimbursements being completed by December 2017. In return for this incentive, the Company has committed to maintaining certain employment levels through 2020. The ongoing commitment is for less than 505 employees and accordingly the payroll cost reimbursement will be proportionally less. Failure by the Company to maintain these employment levels will result in the repayment of a portion or all of the related reimbursements we may receive with interest.

- *We rely on third party suppliers for most of our products and services. The loss or interruption of these relationships could impact our sales volumes, the levels of inventory we must carry, and/or result in sales delays and/or higher inventory costs from new suppliers. Co-operative advertising and other sales incentives provided by our suppliers have decreased and could decrease further in the future thereby increasing our expenses and adversely affecting our results of operations and cash flows.*

  We purchase a substantial portion of our products from major distributors and directly from large manufacturers who may deliver those products directly to our customers. These relationships enable us to make available to our customers a wide selection of products without having to maintain large amounts of inventory. The termination or interruption of our relationships with any of these suppliers could materially adversely affect our business.

  We purchase a number of our products from vendors outside of the United States. Difficulties encountered by one or several of these suppliers could halt or disrupt production and delay completion or cause the cancellation of our orders. Delays or interruptions in the transportation network could result in loss or delay of timely receipt of product required to fulfill customer orders. Our ability to find qualified vendors who meet our standards and supply products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced from outside the U.S. Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, outbreaks of pandemics and other factors relating to foreign trade are beyond our control. These and other issues affecting our vendors could materially adversely affect our revenue and gross profit .

  Many product suppliers provide us with co-operative advertising support in exchange for featuring their products in our catalogs and on our internet sites. Certain suppliers provide us with other incentives such as rebates, reimbursements, payment discounts, price protection and other similar arrangements. These incentives are offset against cost of goods sold or selling, general and administrative expenses, as applicable. The level of co-operative advertising support and other incentives received from suppliers has declined and may decline further in the future, increasing our cost of goods sold or selling, general and administrative expenses and have an adverse effect on results of operations and cash flows.

- *Goodwill and intangible assets may become impaired resulting in a charge to earnings.*

  The Company has made acquisitions in the past of other businesses and these acquisitions resulted in the recording of significant intangible assets and/or goodwill. We are required to test goodwill and intangible assets annually to determine if the carrying values of these assets are impaired or on a more frequent basis if indicators of impairment exist. If any of our goodwill or intangible assets are determined to be impaired we may be required to record a significant charge to earnings in the period during which the impairment is discovered. In the fourth quarter of 2016 within the Company's EMEA operations, an impairment charge related to goodwill of approximately $0.3 million was recorded and within IPG segment, an impairment charge related to goodwill and intangible assets of $0.1 million was recorded. Previously, impairment charges on goodwill and intangible assets occurred in 2014 for the NATG business. Although the carrying amounts of intangible assets and goodwill are relatively small as of December 31, 2016, to the extent the Company makes acquisitions in the future there could again be material amounts of such assets recorded and subject to future impairment testing.

- *Our substantial international operations are subject to risks such as fluctuations in currency rates (which can adversely impact foreign revenues and profits when translated to US Dollars), foreign regulatory requirements, political uncertainty and the management of our growing international operations .*

  We operate internationally and as a result, we are subject to risks associated with doing business globally, such as risks related to the differing legal, political and regulatory requirements and economic conditions of many jurisdictions. Risks inherent to operating internationally include:

  - Changes in a country's economic or political conditions
  - Changes in foreign currency exchange rates
  - Difficulties with staffing and managing international operations
  - Unexpected changes in regulatory requirements
  - Changes in transportation and shipping costs
  - Enforcement of intellectual property rights

  The functional currencies of our businesses outside of the U.S. are the local currencies. Changes in exchange rates between these foreign currencies and the U.S. Dollar will affect the recorded levels of our assets, liabilities, net sales, cost of goods sold and operating margins and could result in exchange gains or losses. The primary currencies to which we have exposure are the European Union Euro, Canadian Dollar and the British Pound Sterling. Exchange rates between these currencies and the U.S. Dollar in recent years have fluctuated significantly and may do so in the future. Our operating results and profitability may be affected by any volatility in currency exchange rates and our ability to manage effectively our currency transaction and translation risks. For example, we currently have operations located in numerous countries outside the United States, and non-U.S. sales accounted for approximately 58.8% of our net sales from continuing operations during 2016. To the extent the U.S. dollar strengthens against foreign currencies, our foreign revenues and profits will be reduced when translated into U.S. dollars.

- *We are exposed to various inventory risks, such as being unable to profitably resell excess or obsolete inventory and/or the loss of product return rights and price protection from our vendors; such events could lower our gross margins or result in inventory write-downs that would reduce reported future earnings.*

  Our inventory is subject to risk due to changes in market demand for particular products. If we fail to manage our inventory of older products we may have excess or obsolete inventory. We may have limited rights to return purchases to certain suppliers and we may not be able to obtain price protection on these items. The elimination of purchase return privileges and lack of availability of price protection could lower our gross margin or result in inventory write-downs.

  We also take advantage of attractive product pricing by making opportunistic bulk inventory purchases; any resulting excess and/or obsolete inventory that we are not able to re-sell could have an adverse impact on our results of operations. Any inability to make such bulk inventory purchases may significantly impact our sales and profitability.

- *We depend on bank credit facilities to address our working capital and cash flow needs from time to time, and if we are unable to renew or replace these facilities, or borrowing capacity were to be reduced our liquidity and capital resources may be adversely affected.*

  We require significant levels of capital in our business to finance accounts receivable and inventory. We maintain credit facilities in the United States to finance increases in our working capital if available cash is insufficient. The amount of credit available to us at any point in time may be adversely affected by the quality or value of the assets collateralizing these credit lines. Our ability to obtain future and/or increased financing to satisfy our requirements as our business expands could be adversely affected by economic and market conditions, credit availability and lender perception of our Company and industry .

- *If we fail to observe certain restrictions and covenants under our credit facilities the lenders could refuse to waive such default, terminate the credit facility and demand immediate repayment, which would adversely affect our cash position and materially adversely affect our operations.*

Our United States revolving credit agreement contains covenants restricting or limiting our ability to, among other things:

- incur additional debt
- create or permit liens on assets
- make capital expenditures or investments
- pay dividends

If we fail to comply with the covenants and other requirements set forth in the credit agreement, we would be in default and would need to negotiate a waiver agreement with the lenders. Failure to agree on such a waiver could result in the lenders terminating the credit agreement and demanding repayment of any outstanding borrowings, which could adversely affect our cash position and adversely affect the availability of financing to us, which could materially impact our operations.

- *Our European employees are represented by unions or workers' councils or are employed subject to local laws that are less favorable to employers than the laws of the U.S.*

  As of December 31, 2016, we had approximately 1,600 employees located in Europe and Asia. We have workers' councils representing the employees of our France and Netherlands operations, and trade unions representing our employees in Italy and Sweden and elected employee representatives for our employees in the United Kingdom and Spain. Most of these European employees are employed in countries in which employment laws provide greater bargaining or other rights to employees than the laws of the U.S. Such employment rights require us to work collaboratively with the legal representatives of the employees to effect any changes to labor arrangements. For example, most of our employees in Europe are represented by unions or workers' councils that must approve certain changes in conditions of employment, including salaries and benefits and staff changes, and may impede efforts to restructure our workforce. Although we believe that we have a good working relationship with our employees, a strike, work stoppage or slowdown by our employees or significant dispute with our employees could result in a significant disruption of our operations or higher ongoing labor costs.

- *We may be unable to reduce prices in reaction to competitive pressures, or implement cost reductions or new product line expansion to address gross profit and operating margin pressures; failure to mitigate these pressures could adversely affect our operating results and financial condition* .

  The B2B computer, service solutions and electronics industry in which EMEA participates is highly price competitive and gross profit margins are narrow and variable. The Company's ability to further reduce prices in reaction to competitive pressure is limited. Additionally, gross margins and operating margins are affected by changes in factors such as vendor pricing, vendor rebate and/or price protection programs, product return rights, and product mix. Pricing pressure is prevalent in the markets we serve and we expect this to continue. We may not be able to mitigate these pricing pressures and resultant declines in sales and gross profit margin with cost reductions in other areas or expansion into new product lines. If we are unable to proportionately mitigate these conditions our operating results and financial condition may suffer.

- *We would be exposed to liability, including substantial fines and penalties and, in extreme cases, loss of our ability to accept credit cards, in the event our privacy and data security policies and procedures are inadequate to prevent security breaches of our consumer personal information and credit card information records.*

  In processing our sales orders we often collect personal information and credit card information from our customers. The Company has privacy and data security policies in place which are designed to prevent security breaches, however, if a third party or a rogue employee or employees are able to bypass our network security, "hack into" our systems or otherwise compromise our customers' personal information or credit card information, we could be subject to liability. This liability may include claims for identity theft, unauthorized purchases and claims alleging misrepresentation of our privacy and data security practices or other related claims. While the Company believes it conforms to appropriate Payment Card Industry ("PCI") security standards where necessary for its various businesses, any breach involving the loss of credit card information may lead to PCI related fines in the millions of dollars. In the event of a severe breach, credit card providers may prevent our accepting of credit cards. Any such liability related to the aforementioned risks could lead to reduced profitability and damage our brand(s) and/or reputation.

- *Failure to protect the integrity, security and use of our customer and employees' information could expose us to litigation and materially damage our standing with our customers.*

The use of individually identifiable consumer and employee data is regulated at the state, federal and international levels and we incur costs associated with information security – such as increased investment in technology and the costs of compliance with consumer and employee protection laws. Additionally, our internet operations and website sales depends upon the secure transmission of confidential information over public networks, including the use of cashless payments. While we have taken significant steps to protect customer, employee and confidential information, there can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, the efforts of "hackers" and cyber criminals or other developments will prevent the compromise of our customer and employee transaction processing capabilities and our customer and employee personal data. If any such compromise of our security were to occur, it could have a material adverse effect on our reputation, operating results and financial condition and could subject us to litigation.

- *Sales to individual customers expose us to credit card fraud, which impacts our operations. If we fail to adequately protect ourselves from credit card fraud, our operations could be adversely impacted.*

  Failure to adequately control fraudulent credit card transactions could increase our expenses. Sales to individual consumers and small businesses, which are more likely to be paid for using a credit card, increases our exposure to fraud. We employ technology solutions to help us detect the fraudulent use of credit card information. However, if we are unable to detect or control credit card fraud, we may suffer losses as a result of orders placed with fraudulent credit card data, which could adversely affect our business.

- *Our business is dependent on certain key personnel.*

  Our business depends largely on the efforts and abilities of certain key senior management. The loss of the services of one or more of such key personnel could have a material adverse effect on our business and financial results.

- *We are subject to litigation risk due to the nature of our business, which may have a material adverse effect on our results of operations and business.*

  From time to time, we are involved in lawsuits or other legal proceedings arising in the ordinary course of our business. These may relate to, for example, patent, trademark or other intellectual property matters, employment law matters, states sales tax claims on internet/ecommerce transactions, product liability, commercial disputes, consumer sales practices, or other matters. In addition, as a public company we could from time to time face claims relating to corporate or securities law matters. The defense and/or outcome of such lawsuits or proceedings could have a material adverse effect on our business. See "Legal Proceedings".

- *Our profitability can be adversely affected by changes in our income tax exposure due to changes in tax rates or laws, changes in our effective tax rate due to changes in the mix of earnings among different countries, restrictions on utilization of tax benefits and changes in valuation of our deferred tax assets and liabilities.*

  Changes in our income tax expense due to changes in the mix of U.S. and non-U.S. revenues and profitability, changes in tax rates or exposure to additional income tax liabilities could affect our profitability. We are subject to income taxes in the United States and various foreign jurisdictions. Our effective tax rate has been in the past and could be in the future adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, restrictions on utilization of tax benefits, changes in the valuation of deferred tax assets and liabilities, changes in tax laws or by material audit assessments. The carrying value of our deferred tax assets is dependent on our ability to generate future taxable income in those jurisdictions. In the case of where several years of losses occur in a jurisdiction, there is a risk that the Company would need to reserve its deferred tax assets which would likely result in a material tax expense being recorded in the period that such reserve is established. Similarly, in the case where a reserve against deferred tax assets has previously been established, successive years of profitability would require the reversal of deferred tax asset reserves which would likely result in a material tax benefit in the period that the reserve is deemed to be no longer necessary. In addition, the amount of income taxes we pay is subject to audit in our various jurisdictions and a material assessment by a tax authority could affect our profitability.

  The current U.S. Administration has indicated an intent to reform the U.S. corporate income tax code. A significant objective of the tax reform under consideration is to discourage the importation of goods manufactured outside the U.S. and encourage the export of goods manufactured in the U.S., commonly referred to as a border adjustment tax. A significant portion of the products we sell are manufactured outside of the U.S., imported to the U.S. and sold in North America. The impact of a border adjustment tax could be material to our tax expense and profitability. The Company may not be able to fully offset any such tax increase through product price increases as increases in product prices in a competitive market would likely decrease demand for the Company's products. It is not possible to measure the potential impact of the proposed U.S. corporate tax reform on the Company's tax expense at this time. However, the implementation of a significant border adjustment or import tax could have a material adverse impact on the Company's profitability.

- *Changes in accounting standards or practices, as well as new accounting pronouncements or interpretations, may require us to account for and report our financial results in a different manner in the future, which may be less favorable than the manner used historically.*

  A change in accounting standards or practices can have a significant effect on our reported results of operations. New accounting pronouncements and interpretations of existing accounting rules and practices have occurred and may occur in the future. Changes to existing rules may adversely affect our reported financial results.

- *Concentration of Ownership and Control Limits Stockholders Ability to Influence Corporate Actions*

  Richard Leeds, Robert Leeds, and Bruce Leeds (each are brothers and directors and executive officers of the Company), together with trusts for the benefit of certain members of their respective families and other entities controlled by them, control approximately 68.5% of the voting power of our outstanding common stock. Due to such holdings, the Leeds brothers together with these trusts and entities are able to determine the outcome of virtually all matters submitted to stockholders for approval, including the election of directors, the appointment of management, amendment of our articles of incorporation, significant corporate transactions (such as a merger or other sale of our company or our assets), the payments of dividends on our common stock and the entering into of extraordinary transactions. Further, a s a "controlled company" under NYSE rules, the Company has elected to opt-out of certain New York Stock Exchange listing standards that, among other things, require listed companies to have a majority of independent directors on their board; the Company does however currently have an independent Audit, Compensation Committee and Corporate Governance and Nominating Committees.

- *Risk of Thin Trading and Volatility of our Common Stock Could Impact Stockholder Value*

  Our common stock is currently listed on the NYSE and is thinly traded. Volatility of thinly traded stocks is typically higher than the volatility of more liquid stocks with higher trading volumes. The trading of relatively small quantities of shares of common stock by our stockholders may disproportionately influence the price of those shares in either direction. This may result in volatility in our stock price and could exacerbate the other volatility-inducing factors described below. The market price of our common stock could be subject to significant fluctuations as a result of being thinly traded.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We operate our business from numerous facilities in North America, Europe and Asia. These facilities include our headquarters location, administrative offices, telephone call centers and distribution centers. Certain facilities handle multiple functions. Most of our facilities are leased; certain are owned by the Company.

North Americ a

As of December 31, 2016, IPG has six operational distribution centers in North America which aggregate approximately 2.0 million square feet, all of which are leased by IPG. In addition to these operational distribution centers, at December 31, 2016 we have one additional distribution center that is being marketed for sublease.

Our headquarters, administrative offices and call centers aggregate approximately 231,000 square feet within our IPG segment, all of which are leased.

In NATG there remain seven retail stores, four B2B call centers and two warehouses that are either sublet or are being marketed for sublease. These properties aggregate to approximately 1.0 million square feet.

Europe

As of December 31, 2016, we have four distribution centers in EMEA Technology which aggregate approximately 230,000 square feet. Three of these, aggregating approximately 157,000 square feet are leased; one distribution center of approximately 73,000 square feet is owned by the Company. Our administrative offices and call centers aggregate approximately 285,000 square feet, of which 208,000 square feet are leased and 77,000 square feet are owned by the Company.

Asia

As of December 31, 2016, we leased two administrative offices in Asia aggregating approximately 9,000 square feet.

Please refer to Note 11 to the consolidated financial statements for additional information about leased properties, including aggregate rental expense for these properties.

Item 3. Legal Proceedings.

The Company and its subsidiaries are from time to time involved in various lawsuits, claims, investigations and proceedings which may include commercial, employment, customer, personal injury and health and safety law matters, as well as VAT tax disputes in European jurisdictions, and which are handled and defended in the ordinary course of business. In addition, the Company is from time to time subjected to various assertions, claims, proceedings and requests for damages and/or indemnification concerning intellectual property matters, including patent infringement suits involving technologies that are incorporated in a broad spectrum of products the Company sells or that are incorporated in the Company's e-commerce sales channels. The Company is also audited by (or has initiated voluntary disclosure agreements with) numerous governmental agencies in various countries, including U.S. Federal and state authorities, concerning potential income tax, sales tax and unclaimed property liabilities. These matters are in various stages of investigation, negotiation and/or litigation. The Company is also being audited by an entity representing 43 states seeking recovery of "unclaimed property". The Company is complying with the unclaimed property audit and is providing requested information. The Company intends to vigorously defend these matters and believes it has strong defenses.

Although the Company does not expect, based on currently available information, that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial position or results of operations, the ultimate outcome is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company regularly assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable and estimable. In this regard, the Company establishes accrual estimates for its various lawsuits, claims, investigations and proceedings when it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the loss can be reasonably estimated. At December 31, 2016 the Company has established accruals for certain of its various lawsuits, claims, investigations and proceedings based upon estimates of the most likely outcome in a range of loss or the minimum amounts in a range of loss if no amount within a range is a more likely estimate. The Company does not believe that at December 31, 2016 any reasonably possible losses in excess of the amounts accrued would be material to the financial statements.

Following the previously reported independent investigation of Gilbert Fiorentino and Carl Fiorentino by our Audit Committee in 2011 (in response to a whistleblower report) for a variety of improper acts, the subsequent termination of their employment and the entering into by Gilbert Fiorentino of a settlement agreement with the Securities and Exchange Commission, on November 20, 2014 the United States Attorney's Office ("USAO") for the Southern District of Florida announced that Gilbert Fiorentino and Carl Fiorentino had been charged with mail fraud, wire fraud and money laundering in connection with a scheme to defraud the Company. Specifically, the charges set forth a scheme to obtain kickbacks and other benefits, and to conceal this illicit income from the IRS, all while Gilbert Fiorentino and Carl Fiorentino were employed as senior executives at the Company's NATG business. On December 2, 2014, the United States Attorney's Office announced that Gilbert Fiorentino and Carl Fiorentino had pled guilty to various charges, and on March 3, 2015, Gilbert Fiorentino and Carl Fiorentino were sentenced to sixty and eighty months' imprisonment, respectively. Following completion of their sentences, each is to be placed on supervised release for a period of thirty-six months. On March 1, 2016, the United States District Court for the Southern District of Florida awarded the Company approximately $36 million in restitution from Gilbert and Carl Fiorentino, which the Company will utilize all available means to collect. Judgment liens have been established on certain property and assets of each of Gilbert and Carl Fiorentino. The Company is working with the USAO to obtain forfeiture proceeds from the sale of certain seized assets. During the third quarter of 2016 the Company received a partial restitution payment of approximately $1.3 million. The Company is also continuing to seek a civil judgment against Carl Fiorentino.

The Company's Audit Committee, with the assistance of independent outside counsel, cooperated with a request by the USAO that it assist the USAO's investigation into allegations arising from the Fiorentino investigation regarding possible executive officer conflicts of interest and internal controls and books and records violations. The Company's Audit Committee, along with the Audit Committee's independent outside counsel, conducted an investigation of the allegations and its counsel presented the Audit Committee's findings to the USAO in July 2015. The Company was advised that the Audit Committee investigation found no evidence of executive officer conflicts of interest, and no material evidence of internal controls violations or books and records violations. The Audit Committee considers its investigation to be closed at this time and the Company has been advised there has been no further contact from the USAO. Notwithstanding, it is not possible at this time to predict if or when the USAO will conclude its investigation; what subject(s) will be investigated; what actions, if any, may be taken by the government as a result of its investigation; or whether any of these matters will have a material adverse impact on the Company .

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Systemax common stock is traded on the NYSE Euronext Exchange under the symbol “SYX.” The following table sets forth the high and low closing sales price of our common stock as reported on the New York Stock Exchange for the periods indicated.

	High	Low
2016		
First Quarter	$ 9.55	$ 7.46
Second Quarter	9.35	7.89
Third Quarter	9.06	7.65
Fourth Quarter	9.29	7.36
2015		
First Quarter	$ 14.74	$ 10.35
Second Quarter	12.44	7.99
Third Quarter	9.18	6.73
Fourth Quarter	9.97	7.36

On December 31, 2016, the last reported sale price of our common stock on the New York Stock Exchange was $8.77 per share. As of December 31, 2016, we had 172 shareholders of record.

On October 31, 2016, the Company’s Board of Directors declared a cash dividend of $0.05 per share payable on November 18, 2016 to shareholders of record on November 16, 2016.

On August 2, 2016, the Company’s Board of Directors declared a cash dividend of $0.05 per share payable on August 29, 2016 to shareholders of record on August 19, 2016.

Depending in part upon profitability, the strength of our balance sheet, our cash position and the need to retain cash for the development and expansion of our business, we anticipate continuing a regular quarterly dividend in the future, subject to availability limitations under our credit facilities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition, Liquidity and Capital Resources” and Note 6 of “Notes to Consolidated Financial Statements”.

Information regarding securities authorized for issuance under equity compensation plans and a performance graph relating to the Company’s common stock is set forth in the Company’s Proxy Statement relating to the 2017 Annual Meeting of Shareholders and is incorporated by reference herein.

Item 6. Selected Financial Data.

The following selected financial information is qualified by reference to, and should be read in conjunction with, the Company's Consolidated Financial Statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this report. The selected statement of operations data, excluding discontinued operations, for fiscal years 2016, 2015 and 2014 and the selected balance sheet data as of December 2016 and 2015 are derived from the audited consolidated financial statements which are included elsewhere in this report. The selected balance sheet data as of December 2014, 2013 and 2012 and the selected statement of operations data for fiscal years 2013 and 2012 are derived from the audited consolidated financial statements of the Company which are not included in this report. The results of operations shown here have been adjusted to reflect the presentation of the NATG discontinued operations (See Note 1 of the Notes to Consolidated Financial Statements).

	Years Ended December 31, (In millions, except per share data)				
	2016	2015	2014	2013	2012
Statement of Operations Data:					
Net sales	$ 1,680.1	$ 1,854.7	$ 2,104.2	$ 1,975.4	$ 1,961.2
Gross profit	$ 324.7	$ 342.7	$ 377.2	$ 360.7	$ 354.4
Operating income (loss) from continuing operations	$ 4.1	$ (24.1)	$ (13.7)	$ (10.8)	$ 8.2
Net income (loss) from continuing operations	$ (7.9)	$ (48.3)	$ (32.0)	$ (43.0)	$ 17.8
Per Share Amounts :					
Net income (loss) — diluted	$ (0.21)	$ (1.30)	$ (0.86)	$ (1.16)	$ 0.48
Weighted average common shares — diluted	37.2	37.1	37.1	37.0	36.9
Cash dividends paid per common share	$ 0.10	$ -	$ -	$ -	$ 0.25
Balance Sheet Data:					
Working capital	$ 186.2	$ 214.2	$ 310.6	$ 345.8	$ 360.8
Total assets	$ 566.1	$ 710.1	$ 896.9	$ 942.2	$ 962.3
Shareholders' equity	$ 214.4	$ 253.9	$ 359.6	$ 406.2	$ 446.3

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

Overview

Systemax is primarily a direct marketer of brand name and private label products. The Company currently operates and is internally managed in two reportable segments - Industrial Products Group ("IPG") and EMEA Technology Products Group ("EMEA"). Smaller business operations and corporate functions are aggregated and reported as an additional segment – Corporate and Other ("Corporate"). As previously disclosed in December 2015, the Company sold certain assets and liabilities of its North American Technology Group ("NATG") business and at that time began the wind-down of the remaining business. This wind-down is substantially completed although the Company has continued with collecting accounts receivable, settling accounts payable, marketing remaining leased facilities, as well as, settling remaining lease obligations and other contingencies during the current year. Additionally, in September 2016 the Company sold its Misco Germany business and in December 2016 sold its rebate processing business.

The Company followed the guidance under Accounting Standards Update ("ASU") 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* which requires disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Under ASU 2014-08 in order for a disposal to qualify for discontinued operations presentation in the financial statements the disposal must be a "major strategic shift" for the reporting entity. If the entity meets this new threshold only the components that were in operation at the time of disposal will be presented as discontinued operations. In the Company's case, the sale of the NATG business in December 2015 met the major strategic shift criteria. As a result the B2B and Ecommerce business and the three remaining retail stores in operation at the time of the sale are presented as discontinued operations in the accompanying financial statements. The 31 retail stores and warehouse which were closed in 2015 prior to the sale, along with allocations of common distribution and back office costs, are presented as part of the Company's continuing operations for all periods; other NATG operations that were discontinued by the Company in previous periods are also presented as continued operations for all periods.

In order to provide more meaningful information to investors which reflect the full exit of NATG, Misco Germany, sale of the rebate processing business along with the associated gain on the sale, the Company is also presenting its results on a non-GAAP basis in the "Non-GAAP" operating results table. This non-GAAP presentation reflects the entire NATG segment, Misco Germany operation and rebate processing business as a discontinued operation for all periods presented as well as including adjustments for non-recurring items, intangible amortization and equity compensation in recurring operations.

Management's discussion and analysis that follows will include IPG, EMEA, Corporate and other, NATG continuing operations and NATG discontinued operations.

Industrial Products

Our Industrial Products segment sells a wide array of MRO products which are marketed in North America. Most of these products are manufactured by other companies; however, the Company does offer a selection of products that are manufactured for our own design and marketed under the trademarks *Global™* , *GlobalIndustrial.com™* and *Nexel™ Relius™, Paramount™ and Interion™*. Industrial products accounted for 43%, 38% and 26% of our GAAP net sales from continuing operations in 2016, 2015 and 2014, respectively. In both of these product groups, we offer our customers a broad selection of products, prompt order fulfillment and extensive customer service.

On January 30, 2015, the Company announced that its Industrial Products Group had completed its previously announced acquisition of the Plant Equipment Group, a business-to-business direct marketer of MRO products, from TAKKT America for $25.9 million in cash; post-closing working capital adjustments were de minimis. This acquisition expanded the Company's regional footprint and its market share.

EMEA Technology Products Group

Our EMEA sells ICT and CE products. These products are marketed in Europe. All of these products are manufactured by other companies. EMEA Technology products accounted for 57% of our GAAP net sales from continuing operations in 2016, 2015 and 2014.

On September 2, 2016 the Company sold certain assets of its Misco Germany operations which had been reported as part of its EMEA segment. As this disposition was not a strategic shift with a major impact as defined under ASU 2014-08 , prior and current year results of the German operations are presented within continuing operations in the consolidated financial statements. For the year ended December 31, 2016, net sales of Misco Germany included in continuing operations were $33.9 million and the net loss, including approximately $3.7 million of intercompany charges, was $6.4 million.

On June 12, 2014, the Company acquired Misco Solutions (f/k/a SCC Services B.V.), a supplier of business-to-business IT products and services with operations in the Netherlands. This acquisition expanded the Company's business in the Netherlands.

Corporate and other

At December 31, 2016, the Company sold all of its issued and outstanding membership interests of its rebate processing business which had been reported as part of its Corporate and Other ("Corporate") segment. As this disposition was also not a strategic shift with a major impact as defined under ASU 2014-08, prior and current year results of the rebate processing business are presented within continuing operations in the consolidated financial statements. For the year ended December 31, 2016, net sales of the rebate processing business included in continuing operations were $3.7 million and the net loss was $2.3 million. The Company recorded a gain on this sale of approximately $3.9 million.

NATG Technology Products Group

As discussed above, the Company sold certain B2B assets of NATG in December 2015 and substantially completed wind-down activities in 2016. The NATG segment sold primarily ICT and CE products. These products were marketed in the United States, Canada and Puerto Rico. Most of these products were manufactured by other companies; however the Company did offer a selection of products that were manufactured to our own designs and marketed on a private label basis. NATG sales included in continuing operations accounted for 0%, 5% and 17% of our GAAP net sales from continuing operations in 2016, 2015 and 2014, respectively **.**

Discontinued Operations

As discussed above, the B2B and Ecommerce business and the three remaining retail stores in operation at the time of the sale are presented as discontinued operations in the accompanying consolidated financial statements. Total GAAP net sales for the discontinued operations were $11.8 million, $1.0 billion and $1.3 billion for the years ended 2016, 2015 and 2014, respectively. See Note 2 and 13 to the consolidated financial statements included in Item 15 of this Form 10-K for additional financial information about our business segments as well as information about our geographic operations.

Operating Conditions

The IPG market is highly fragmented and we compete against multiple distribution channels. The EMEA market for computer products and electronics is subject to intense price competition and is characterized by narrow gross profit margins. Distribution is working capital intensive, requiring us to incur significant costs associated with the warehousing of many products, including the costs of maintaining inventory, leasing warehouse space, inventory management systems, and employing personnel to perform the associated tasks. We supplement our on-hand product availability by maintaining relationships with major distributors and manufacturers, utilizing a combination of stock and drop-shipment fulfillment.

The primary component of our operating expenses historically has been employee-related costs, which includes items such as wages, commissions, bonuses, employee benefits and stock option expenses. We continually assess our operations to ensure that they are efficient, aligned with market conditions and responsive to customer needs.

In the discussion of our results of operations we refer to business to business channel sales and period to period constant currency comparisons. Sales in IPG, EMEA and Corporate and other are considered to be B2B sales. In the NATG business, we had considered business to business ("B2B") channel sales to be sales made direct to other businesses and government /public sector entities through managed business relationships, outbound call centers and extranets. Consumer ("B2C") channel sales were sales from retail stores, consumer websites, inbound call centers and television shopping channels. Constant currency refers to the adjustment of the results of our foreign operations to exclude the effects of period to period fluctuations in currency exchange rates.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Item 15 of this Form 10-K. Certain accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty, and as a result, actual results could differ materially from those estimates. These judgments are based on historical experience , observation of trends in the industry, information provided by customers and information available from other outside sources, as appropriate. Management believes that full consideration has been given to all relevant circumstances that we may be subject to, and the consolidated financial statements of the Company accurately reflect management's best estimate of the consolidated results of operations, financial position and cash flows of the Company for the years presented. We identify below a number of policies that entail significant judgments or estimates, the assumptions and or judgments used to determine those estimates and the potential effects on reported financial results if actual results differ materially from these estimates.

Accounting policy	Assumptions and uncertainties	Quantification and analysis of effect on actual results if estimates differ materially
Revenue Recognition. We recognize product sales when persuasive evidence of an order arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Generally, these criteria are met at the time of receipt by customers when title and risk of loss both are transferred, except in our IPG segment where title and risk pass at time of shipment. Sales are presented net of returns and allowances, rebates and sales incentives. Reserves for estimated returns and allowances are provided when sales are recorded, based on historical experience and current trends.	Our revenue recognition policy contains assumptions and judgments made by management related to the timing and amounts of future sales returns. Sales returns are estimated based upon historical experience and current known trends.	We have not made any material changes to our sales return reserve policy in the past three years and we do not anticipate making any material changes to this policy in the future. However if our estimates are materially different than our actual experience we could have a material gain or loss adjustment.
Allowance for Doubtful Accounts Receivable . We record an allowance for doubtful accounts to reflect our estimate of the collectability of our trade accounts receivable. While bad debt allowances have been within expectations and the provisions established, there can be no guarantee that we will continue to experience the same allowance rate we have in the past.	Our allowance for doubtful accounts policy contains assumptions and judgments made by management related to collectability of aged accounts receivable and chargebacks from credit card sales. We evaluate the collectability of accounts receivable based on a combination of factors, including an analysis of the age of customer accounts and our historical experience with accounts receivable write-offs. The analysis also includes the financial condition of a specific customer or industry, and general economic conditions. In circumstances where we are aware of customer credit card charge-backs or a specific customer's inability to meet its financial obligations, a specific reserve for bad debts applicable to amounts due to reduce the net recognized receivable to the amount management reasonably believes will be collected is recorded. In those situations with ongoing discussions, the amount of bad debt recognized is based on the status of the discussions.	We have not made any material changes to our allowance for doubtful accounts receivable reserve policy in the past three years and we do not anticipate making any material changes to this policy in the future. However if our estimates are materially different than our actual experience we could have a material gain or loss adjustment. A change of 10% in our allowance for doubtful accounts reserve at December 31, 2016 would impact net income by approximately $1.1 million.

Inventory valuation . We value our inventories at the lower of cost or market; cost being determined on the first-in, first-out method except in certain locations in Europe and retail locations where an average cost is used. Excess and obsolete or unmarketable merchandise are written down based on historical experience, assumptions about future product demand and market conditions. If market conditions are less favorable than projected or if technological developments result in accelerated obsolescence, additional write-downs may be required. While obsolescence and resultant markdowns have been within expectations, there can be no guarantee that we will continue to experience the same level of markdowns we have in the past.	Our inventory reserve policy contains assumptions and judgments made by management related to inventory aging, obsolescence, credits that we may obtain for returned merchandise, shrink and consumer demand.	We have not made any material changes to our inventory reserve policy in the past three years and we do not anticipate making any material changes to this policy in the future. However if our estimates are materially different than our actual experience we could have a material loss adjustment. A change of 10% in our inventory reserves at December 31, 2016 would impact net income by approximately $0.2 million.
Goodwill and Intangible Assets. We apply the provisions of relevant accounting guidance in our valuation of goodwill, trademarks, domain names, client lists and other intangible assets. Relevant accounting guidance requires that goodwill and indefinite lived intangibles be reviewed at least annually for impairment or more frequently if indicators of impairment exist. The amount of an impairment loss would be recognized as the excess of the asset's carrying value over its fair value.	Our impairment testing involves judgments and uncertainties, quantitative and qualitative, related to the use of discounted cash flow models and forecasts of future results, both of which involve significant judgment and may not be reliable. Significant management judgment is necessary to evaluate the operating environment and economic conditions that exist to develop a forecast for a reporting unit. Assumptions related to the discounted cash flow models we use include the inputs used to determine the Company's weighted average cost of capital including a market risk premium, the beta of a reporting unit, reporting unit specific risk premiums and terminal growth values. Critical assumptions related to the forecast inputs used in our discounted cash flow models include projected sales growth, same store sales growth, gross margin percentages, new business opportunities, working capital requirements, capital expenditures and growth in selling, general and administrative expense. We also use our Company's market capitalization and comparable company market data to validate our reporting unit valuations.	We have not made any material changes to our goodwill policy in the past three years and we do not anticipate making any material changes to this policy in the future. In the fourth quarter of 2016, the Company conducted an evaluation of the goodwill of its United Kingdom operation in the EMEA segment and goodwill and certain intangible assets of its Mexico operation in its IPG segment and concluded that they were impaired and a charge of $0.3 million and $0.1 million, pre-tax, respectively, was recorded. We have approximately in aggregate $17.3 million in goodwill and intangible assets at December 31, 2016. We do not believe it is reasonably likely that the estimates or assumptions used to determine whether any of our remaining goodwill or intangible assets are impaired will change materially in the future. However if the inputs used in our discounted cash flow models or our forecasts are materially different than actual experience we could incur impairment charges that are material.

Long-lived Assets. Management exercises judgment in evaluating our long-lived assets for impairment and in their depreciation and amortization methods and lives including evaluating undiscounted cash flows.	The impairment analysis for long lived assets requires management to make judgments about useful lives and to estimate fair values of long lived assets. It may also require us to estimate future cash flows of related assets using discounted cash flow model. Our estimates of future cash flows involve assumptions concerning future operating performance and economic conditions. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations.	We have not made any material changes to our long lived assets policy in the past three years and we do not anticipate making any material changes to this policy in the future. In 2016 the Company conducted an evaluation of the long-lived assets in its United Kingdom operations within the EMEA segment and concluded that an impairment charge of $1.7 million, be recorded. In 2015 the Company conducted an evaluation of the long-lived assets in its EMEA and now discontinued NATG segment and concluded that an impairment charge of $0.7 million each, be recorded. We do not believe it is reasonably likely that the estimates and assumptions used to determine long lived asset impairment will vary materially in the future. However if our estimates are materially different than our actual experience we could have a material gain or loss adjustment. A change of 10% in the carrying value of our long lived assets would impact net income by approximately $3.0 million.
Vendor Accruals. Our contractual agreements with certain suppliers provide us with funding or allowances for costs such as price protection, markdowns and advertising as well as funds or allowances for purchasing volumes. Generally, allowances received as a reimbursement of identifiable costs are recorded as an expense reduction when the cost is incurred. Sales related allowances are generally determined by our level of purchases of product and are deferred and recorded as a reduction of inventory carrying value and are ultimately included as a reduction of cost of goods when inventory is sold.	Management makes assumptions and exercises judgment in estimating period end funding and allowances earned under our various agreements. Estimates are developed based on the terms of our vendor agreements and using existing expenditures for which funding is available, determining products whose market price would indicate coverage for markdown or price protection is available and estimating the level of our performance under agreements that provide funds or allowances for purchasing volumes. Estimates of funding or allowances for purchasing volume will include projections of annual purchases which are developed using current actual purchase data and historical purchase trends. Accruals in interim periods could be materially different if actual purchase volumes differ from projections.	We have not made any material changes to our vendor accrual policy in the past three years nor do we anticipate making any material changes to this policy in the future. If actual results are different from the projections used we could have a material gain or loss adjustment. A change of 10% in our vendor accruals at December 31, 2016 would impact net income by approximately $0.6 million.

Income Taxes. We are subject to taxation from federal, state and foreign jurisdictions and the determination of our tax provision is complex and requires significant management judgment.

We conduct operations in numerous U.S. states and foreign locations. Our effective tax rate depends upon the geographic distribution of our pre-tax income or losses among locations with varying tax rates and rules. As the geographic mix of our pre-tax results among various tax jurisdictions changes, the effective tax rate may vary from period to period. We are also subject to periodic examination from domestic and foreign tax authorities regarding the amount of taxes due. These examinations include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. We establish as needed, and periodically reevaluate, an estimated income tax reserve on our consolidated balance sheet to provide for the possibility of adverse outcomes in income tax proceedings. While management believes that we have identified all reasonably identifiable exposures and whether or not a reserve is appropriate, it is possible that additional exposures exist and/or that exposures may be settled at amounts different than the amounts reserved.

The determination of deferred tax assets and liabilities and any valuation allowances that might be necessary requires management to make significant judgments concerning the ability to realize net deferred tax assets. The realization of net deferred tax assets is dependent upon the generation of future taxable income. In estimating future taxable income there are judgments and uncertainties related to the development of forecasts of future results that may not be reliable. Significant management judgment is also necessary to evaluate the operating environment and economic conditions that exist to develop a forecast for a reporting unit. Where management has determined that it is more likely than not that some portion or the entire deferred tax asset will not be realized, we have provided a valuation allowance. If the realization of those deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made.

We have not made any material changes to our income tax policy in the past three years and we do not anticipate making any material changes to this policy in the future.

We do not believe it is reasonably likely that the estimates or assumptions used to determine our deferred tax assets and liabilities and related valuation allowances will change materially in the future. However if our estimates are materially different than our actual experience we could have a material gain or loss adjustment.

In 2015 the Company recorded non-cash valuation allowances against the deferred tax assets of certain of its subsidiaries in Europe and Canada in the amount of approximately $0.8 million.

In 2016 the Company recorded non-cash valuation allowances against the deferred tax assets of a subsidiary in Europe in the amount of approximately $0.7 million.

Special charges. We have recorded reorganization, restructuring and other charges in the past and could in the future commence further reorganization, restructuring and other activities which result in recognition in charges to income.

The recording of reorganization, restructuring and other charges may involve assumptions and judgments about future costs and timing for amounts related to personnel terminations, stay bonuses, lease termination costs, lease sublet revenues, outplacement services, contract termination costs, asset impairments and other exit costs. Management may estimate these costs using existing contractual and other data or may rely on third party expert data.

When we incur a liability related to these actions, we estimate and record all appropriate expenses. We do not believe it is reasonably likely that the estimates or assumptions used to determine our reorganization, restructuring and other charges will change materially in the future. However if our estimates are materially different than our actual experience we could have a material gain or loss adjustment.

The Company recorded special charges of $5.9 million, $27.9 million and $15.9 million in continuing operations related to reorganization, restructuring and asset impairment and other charges for the years ended 2016, 2015 and 2014, respectively.

Recently Adopted and Newly Issued Accounting Pronouncements

Public companies in the United States are subject to the accounting and reporting requirements of various authorities, including the Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission ("SEC"). These authorities issue numerous pronouncements, most of which are not applicable to the Company's current or reasonably foreseeable operating structure. Below are the new authoritative pronouncements that management believes are relevant to the Company's current operations.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* , to clarify the principles of recognizing revenue and create common revenue recognition guidance under U.S. GAAP and International Financial Reporting Standards. Following the FASB's finalization of a one year deferral of this standard, the ASU is now effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017, with early adoption permitted for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2016. This ASU can be adopted either retrospectively to each reporting period presented or as a cumulative effect adjustment as of the date of the adoption. The standard supersedes existing revenue recognition guidance and replaces it with a five step revenue model with a core principle that an entity recognizes revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In March 2016, the FASB issued Accounting Standards Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* which clarifies the implementation guidance on principal versus agent considerations.

The Company intends to adopt the new guidance on January 1, 2018, with a cumulative effect adjustment to opening retained earnings under the modified retrospective approach. Currently, the Company recognizes revenue when title passes to customers. The Company's implementation of this ASU includes the evaluation of its customer agreements to identify terms or conditions that could be considered a performance obligation such that, if material to the terms of the contract, consideration would be allocated to the performance obligation and could accelerate or defer the timing of recognizing revenue. The Company also continues to evaluate the presentation of its principal versus agent arrangements.

The Company's evaluation of the new guidance is not yet complete; however, based on the nature of the Company's primary revenue sources and current policies, the Company does not expect a significant change in the timing and presentation of recognizing its revenue.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *Inventory* - *Simplifying the Measurement of Inventory* (Topic 330) ("ASU No. 2015-11"). ASU No. 2015-11 requires an entity to measure inventory within the scope of the update at the lower of cost and net realizable value, and defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Effective January 1, 2016, the company adopted the provisions of ASU No. 2015-11 on a prospective basis. The adoption of the provisions of ASU No. 2015-11 did not materially impact the company's consolidated financial position or results of operations.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern* . This guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. ASU 2014-15 is effective for annual periods ending after December 15, 2016. Early adoption is permitted. The Company adopted this guidance in the fourth quarter of 2016 and based on the management assessment, there are no conditions and events that raise substantial doubt about the Company's ability to continue as a going concern. As a result, the adoption of this standard had no impact on the Company's consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* . ASU 2016-02 related to leases that outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new guidance requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms of greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. The new guidance must be adopted using the modified retrospective approach and will be effective for the Company starting in the first quarter of fiscal 2019. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption of this standard on the consolidated financial statements .

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* , which modifies certain accounting aspects for share-based payments to employees including, among other elements, the accounting for income taxes and forfeitures, as well as classifications in the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The new guidance will be effective for the Company starting in the first quarter of fiscal 2017. Early adoption is permitted in any annual or interim period. The company does not expect the adoption of ASU No. 2016-19 to materially impact the Company's consolidated financial position or result of operations.

Highlights from 2016

The discussion of our results of operations and financial condition that follows will provide information that will assist in understanding our financial statements and information about how certain accounting principles and estimates affect the consolidated financial statements. This discussion should be read in conjunction with the consolidated financial statements included herein.

- IPG sales grew 2.4% to $715.6 million. On a constant currency basis and excluding the January 2015 acquisition of Plant Equipment Group (P.E.G.), average daily sales grew 2.8%.
- EMEA sales decreased 8.7% to $960.9 million. On a constant currency basis average daily sales decreased 4.3%.
- Consolidated operating income was $4.1 million compared to a loss of $24.1 million in the prior year.

GAAP Results of Operations

Key Performance Indicators* (in millions):

	Years Ended December 31,				
	2016	2015	2014	% Change 2016/2015	% Change 2015/2014
Net sales of continuing operations by segment:					
IPG	$ 715.6	$ 698.6	$ 556.0	2.4%	25.6%
EMEA	960.9	1,052.9	1,189.9	(8.7)%	(11.5)%
Corporate and Other	3.6	5.4	5.9	(33.3)%	(8.5)%
NATG- continuing operations	-	97.8	352.4	(100.0)%	(72.2)%
Consolidated net sales	$ 1,680.1	$ 1,854.7	$ 2,104.2	(9.4)%	(11.9)%
Consolidated gross profit	$ 324.7	$ 342.7	$ 377.2	(5.3)%	(9.1)%
Consolidated gross margin	19.3%	18.5%	17.9%	0.8%	0.6%
Consolidated SG&A costs**	$ 320.6	$ 366.8	$ 390.9	(12.6)%	(6.2)%
*Consolidated SG&A costs** as % of sales*	19.1%	19.8%	18.6%	(0.7)%	1.2%
Operating income (loss) from continuing operations by segment :					
IPG	$ 34.3	$ 43.7	$ 41.0	(21.5)%	6.6%
EMEA	(12.5)	(10.8)	(21.2)	(15.7)%	49.1%
Corporate and Other	(14.9)	(18.8)	(15.6)	20.7%	(20.5)%
NATG – continuing operations	(2.8)	(38.2)	(17.9)	92.7%	(113.4)%
Consolidated operating income (loss)	$ 4.1	$ (24.1)	$ (13.7)	117.0%	(75.9)%
Operating margin from continuing operations by segment :**					
IPG	4.8%	6.3%	7.4%	(1.5)%	(1.1)%
EMEA	(1.3)%	(1.0)%	(1.8)%	(0.3)%	0.8%
NATG	-	(39.1)%	(5.1)%	100%	(34.0)%
Consolidated operating margin from continuing operations	0.2%	(1.3)%	(0.7)%	1.5%	(0.6)%
Effective income tax rate	NM	38.8%	59.2%	-	(20.4)%
Net income (loss) from continuing operations	$ (7.9)	$ (48.3)	$ (32.0)	83.6%	(50.9)%
Net margin from continuing operations	*(0.5)%*	*(2.6)%*	*(1.5)%*	*2.1%*	*(1.1)%*
Net income (loss) from discontinued operations	$ (24.7)	$ (51.5)	$ (5.5)	52.0%	836.4%
Net margin from discontinuing operations	*(1.5)%*	*(2.8)%*	*(0.3)%*	1.3%	*(2.5)%*

*excludes discontinued operations (See Note 3 of Notes to Consolidated Financial Statements).
** includes special charges, net (See Note 8 of Notes to Consolidated Financial Statements).
NM=not meaningful

Non-GAAP Results of Operations

Supplemental Non-GAAP Continuing Operation Business Unit Summary Results-Unaudited

Industrial Products Group

	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Sales	$ 715.6	$ 698.6	$ 556.0	2.4%	25.6%
Average daily sales*	$ 2.8	$ 2.7	**	2.8%	**
Gross profit	$ 198.3	$ 198.7	$ 163.4	(0.2)%	21.6%
Gross margin	27.7%	28.4%	29.4%		
Operating income	$ 35.2	$ 44.0	$ 43.0	(20.0)%	2.3%
Operating margin	4.9%	6.3%	7.7%		

European Technology Products Group

	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Sales	$ 927.0	$ 993.9	$ 1,122.8	(6.7)%	(11.5)%
Average daily sales***	$ 3.8	$ 3.9	**	(2.1)%	**
Gross profit	$ 121.5	$ 125.5	$ 148.3	(3.2)%	(15.4)%
Gross margin	13.1%	12.6%	13.2%		
Operating loss	$ (5.2)	$ (6.3)	$ (1.4)	17.5%	(350.0)%
Operating margin	(0.6)%	(0.6)%	(0.1)%		

Corporate & Other

	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Operating loss	$ (15.5)	$ (18.1)	$ (14.3)	14.4%	(26.6)%

Consolidated

	Year Ended December 31,			% Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Sales	$ 1,642.6	$ 1,692.5	$ 1,678.8	(2.9)%	0.8%
Gross profit	$ 319.8	$ 324.2	$ 311.7	(1.4)%	4.0%
Gross margin	19.5%	19.2%	18.6%		
Operating income	$ 14.5	$ 19.6	$ 27.3	(26.0)%	(28.2)%
Operating margin	0.9%	1.2%	1.6%		

*Percentages are calculated using constant currency sales data in hundreds of thousands.

**Average sales data was not tracked in 2014.

***Percentages are calculated using constant currency sales data excluding Misco Germany in hundreds of thousands.

[1] *On December 1, 2015 the Company closed on the sale of certain assets of its North American Technology Group ("NATG"). Pursuant to this transaction, the Company is winding down the remaining operations of NATG during 2016 and continuing into 2017. In the GAAP presentation, the retail operations which were discontinued by the Company prior to the transaction, along with allocations of common distribution and back office costs, are presented as part of the Company's continuing operations for all periods; other NATG operations that were sold (as well as the remaining retail operations that existed at the time of the transaction (and were subsequently discontinued by the Company) are presented as discontinued operations for all periods. The non-GAAP results reflect the entire NATG segment as a discontinued operation for all periods presented as well as adjustments for non-recurring items, intangible amortization, equity compensation and a normalized effective tax rate in recurring operations. On September 2, 2016 the Company closed on the sale of certain assets of its Misco Germany operation which has been reported as part of its European Technology Products Group. Prior and current year results of Germany have been eliminated in the non-GAAP presentation. On December 31, 2016 the Company closed on the sales of its Afligo rebate processing business. Prior and current year results of the rebate processing business, along with the associated gain on the sale, have been eliminated in the non-GAAP presentation. The Company believes that the non-GAAP presentation conveys additional more meaningful information to investor as it depicts the operations that are currently generating sales and that will continue to do so in future periods exclusive of wind down costs of its former NATG operations. See accompanying GAAP reconciliation tables.*

SYSTEMAX INC.
Reconciliation of Segment GAAP Operating Income (Loss) from Continuing Operations to Non-GAAP Operating Income (Loss) from Continuing Operations - Unaudited
(In millions)

	Year Ended December 31,		
	2016	**2015**	**2014**
Industrial Products	$ 34.3	$ 43.7	$ 41.0
Technology Products - Europe	(12.5)	(10.8)	(21.2)
Technology Products - NA	(2.8)	(38.2)	(17.9)
Corporate and Other	(14.9)	(18.8)	(15.6)
GAAP operating income (loss)	**4.1**	**(24.1)**	**(13.7)**
Non-GAAP adjustments:			
Industrial Products:			
Integration costs	0.0	1.0	0.4
Intangible asset amortization	0.5	0.3	0.0
Stock-based and other special compensation	0.4	(1.0)	1.6
Total Non-GAAP Adjustments – Industrial Products	0.9	0.3	2.0
Technology Products - Europe:			
Reverse results of Germany operations	4.7	3.0	10.7
Severance and other reorganization related charges	0.0	0.7	8.0
Asset impairment charges	2.0	0.4	0.0
Stock based compensation	0.1	0.1	0.3
Intangible asset amortization	0.5	0.3	0.8
Total Non-GAAP Adjustments: Technology Products Europe	7.3	4.5	19.8
Technology Products - NA:			
Reverse results of NATG included in GAAP continuing operations	2.8	38.2	17.9
Total Non-GAAP Adjustments : Technology Products NA	2.8	38.2	17.9
Corporate and Other:			
Gain on sale of Afligo	(3.9)	0.0	0.0
Reverse results of Afligo included in GAAP continuing operations	2.2	0.1	0.4
Severance and other reorganization related charges	0.0	0.0	0.1
Stock based compensation	1.1	0.6	0.8
Total Non-GAAP Adjustments: Corporate and Other	(0.6)	0.7	1.3
Industrial Products	35.2	44.0	43.0
Technology Products - Europe	(5.2)	(6.3)	(1.4)
Technology Products - NA	0.0	0.0	0.0
Corporate and Other	(15.5)	(18.1)	(14.3)
Non-GAAP operating income	**$ 14.5**	**$ 19.6**	**$ 27.3**

Management's discussion and analysis that follows will include IPG, EMEA, NATG continuing operations and NATG discontinued operations. The discussion is based upon the GAAP Results of Operations table.

NET SALES

SEGMENTS:

The IPG segment net sales benefited in 2016 from continued growth across their U.S. core business categories including material handling, HVAC and furniture. IPG U.S. revenue was up 3.3% for the year while Canada sales were down approximately 10.3% on a constant currency basis. Increased sales headcount in various customer facing roles as well as increased e-commerce revenue contributed to the increased sales. On a constant currency basis and excluding the January 2015 P.E.G. acquisition, sales increased by 1.6% for the year and average daily sales grew 2.8%.

The IPG segment net sales increase in 2015 was attributable to continued growth across most product lines and incremental sales from the P.E.G. acquisition, which contributed $89.1 million in sales and approximately $1.1 million of pretax earnings during 2015, as well as investment in hiring sales personnel and subject matter experts who bring specific technical knowledge to our customers. On a constant currency basis, and excluding P.E.G., net sales increased 10.1% during 2015.

The EMEA segment net sales decrease in 2016 is attributable primarily to the United Kingdom market, where the operations remain challenged, including the impact of Brexit related market pressures and net sales declines in our other markets due to highly competitive market participants, as well as the exit of our German operations. Offsetting the net sales decrease is our France and Netherlands businesses, each generating strong revenue growth with Netherlands benefiting from increased public sector business and France's continued growth in its core businesses. Both operations successfully were awarded and fulfilled many large tenders for Government and Education in the year. On a constant currency basis, net sales decreased 5.5% for 2016 and average daily sales decreased 4.3%.

The EMEA segment net sales decrease in 2015 is attributable to unfavorable currency movements and a challenging market in the United Kingdom which more than offset the performance in other markets. Our France operations continued its strong performance (local currency increase of 19.1%), benefiting from continued growth in its core businesses. On a constant currency basis and excluding Misco Solutions, EMEA segment net sales decreased 1.9% for 2015.

The Corporate and Other segment net sales decrease in 2016 and 2015 is attributable to the decrease in rebate processing business which was impacted by the exit from our NATG operations for 2015.

Sales in NATG continuing operations represent the sales of the retail stores closed during the first half of 2015. NATG discontinued operations net sales totaled $11.8 million, $1.0 billion and $1.3 billion for 2016, 2015 and 2014, respectively. Sales for 2014 represent full year sales of retail stores closed in 2015 and sales of stores closed during 2014.

GROSS MARGIN

Gross margin is dependent on variables such as product mix, vendor price protection and other sales incentives, competition, pricing strategy, cooperative advertising funds classified as a reduction to cost of sales, free freight and freight discounting arrangements and other variables, any or all of which may result in fluctuations in gross margin. Further, gross margin also includes the costs of purchasing and logistics in our distribution center operations.

The IPG segment gross margin declined in 2016 compared to prior year reflecting flat product margins, decreased freight margins and increased warehouse staffing cost due to incremental temporary labor to ensure our customer service levels are maintained during the transition to our new warehouse management and distribution system, which is anticipated to be completed in the first quarter of 2017. Lower gross margin in 2016 is further inclusive of $1.7 million of inventory adjustments discovered during the transition of our warehouse management system in one of our distribution centers in second quarter of 2016.

The IPG segment gross margin was also negatively impacted by increased distribution costs associated with the opening of a new distribution center in the third quarter of 2015 and reduced freight margins. We anticipate that this new facility will result in improved gross margins from freight cost reductions to west coast customers and improved efficiency at the other distribution centers. Product margin improved marginally, driven by growth of certain higher margin categories, and our private label offering.

The EMEA segment gross margin increase in 2016 is primarily the result of changes in the sales mix with the higher margin France business comprising a larger portion of total gross profit for the year compared to prior year.

The EMEA segment gross margin decline in 2015 was related to reduced selling margins driven by customer shifts from commercial to public sector accounts and lower freight margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A"), EXCLUDING SPECIAL CHARGES

Consolidated selling, general and administrative expenses totaled $314.7 million, $338.9 million and $375.0 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The IPG segment incurred increased costs of approximately $10.0 million in 2016 compared to 2015. Significant expense increases included approximately $4.6 million of increased salary and related costs of which $0.6 million related to the cost reduction strategies implemented in the second quarter of 2016, investments in the sales force, increased IT costs of approximately $2.9 million and increased net internet advertising spending of approximately $1.9 million as it continues to expand its online product offerings and its e-commerce presence. Included in the IPG segment's SG&A expenses is 12 months of P.E.G. costs compared to 11 months in the prior year.

The IPG segment incurred increased costs of approximately $29.9 million in 2015 compared to 2014 including costs incurred by P.E.G. since the date of acquisition. Significant expense increases included approximately $14.1 million in increased salary and related costs of additional sales headcount, of which $11.3 million related to P.E.G. costs. IPG also recorded increased net internet advertising spending of approximately $10.3 million, of which $5.8 million related to P.E.G. costs, as it continued to expand its online product offerings and its ecommerce presence, and increased rent and related expenses of $1.2 million related to the P.E.G. acquisition during 2015.

The EMEA segment incurred lower SG&A costs of approximately $6.3 million for the year 2016 compared to 2015 primarily due to the impact of exchange rate changes on salary and payroll related costs of approximately $7.9 million, which includes the change in salary and payroll costs from the sale of the German operations in the third quarter of 2016 of approximately $1.0 million, offset by increased net advertising costs of approximately $0.9 million and approximately $1.6 million reserve related to an outstanding VAT dispute.

In 2015, the EMEA segment incurred lower salary and related costs of approximately $16.7 million due to the consolidation of positions from country locations to the European shared services center. EMEA also had decreased net internet advertising spending of approximately $0.9 million and decreased rent and related expenses of $1.1 million.

The Corporate and other segment SG&A costs decreased by approximately $6.0 million primarily attributable to the gain on the sale of the rebate processing business of $3.9 million, lower salary and related costs of approximately $1.9 million, savings within professional fees of approximately $0.9 million offset by increased IT costs of approximately $1.2 million.

Corporate and other segment incurred increased costs of approximately $3.3 million for 2015. The increase is primarily attributable to increased overhead expenses primarily as a result of increased personnel costs.

NATG continuing operations SG&A expense for 2015 totaled approximately $23.1 million compared to $70.6 million in 2014. NATG continuing operations SG&A expense is primarily payroll costs, credit card fees, rent and utilities. Lower costs in 2015 are the result the closure of 31 retail stores and a warehouse in 2015. Lower costs in 2014 are associated with the closure of 2 retail stores in 2014 and 5 stores in 2013.

NATG discontinued operations SG&A expense totaled $14.0 million, $109.9 million and $119.7 million for each of 2016, 2015 and 2014, respectively.

SPECIAL CHARGES, NET

The Company incurred special charges for the year ended December 31, 2016 of $15.4 million within the EMEA and NATG segments, of which $5.9 million is included in continuing operations and $9.5 million is included in discontinued operations.

The Company's EMEA segment incurred special charges during the year of approximately $3.7 million, $2.0 million related to impairment charges related to goodwill and long-lived assets in its United Kingdom operations and $1.7 million related to the sale of certain assets of its German business, including customer relationships and the employees of its Misco Germany branch. The Germany operations charges incurred included approximately $1.0 million for lease termination costs (includes $0.3 million benefit related to previous rent accruals), $0.6 million for professional fees related to the sale and approximately $0.1 million for write off of inventory and fixed assets. Amounts related to the sale that are unpaid at December 31, 2016 are recorded in Accrued expenses and other current liabilities and Other liabilities in the accompanying consolidated balance sheets. Additional costs may be incurred for changes in estimates related to the collection of remaining accounts receivable.

The Company's NATG segment incurred special charges during the year of approximately $11.7 million, of which $2.2 million is included in continuing operations and $9.5 million is included in discontinued operations. Charges incurred included approximately $10.9 million for lease terminations and other exit costs (includes $3.3 million benefit of previous rent accruals) for the closing of the two remaining retail stores, a distribution center and the NATG corporate headquarters in 2016, approximately $2.0 million of additional lease termination costs (includes $0.1 million benefit of previous rent accruals) of our previously exited retail stores (present value of contractual gross lease payments net of sublease rental income, or settlement amount), $0.6 million for consulting expenses related to the lease terminations and $0.2 million for severance and related expenses.

NATG also incurred approximately $1.3 million of professional costs, related to the ongoing restitution proceedings against certain former NATG executives and professional costs related to the investigation conducted at the request of the US Attorney for the Southern District of Florida. These charges were offset by approximately $1.3 million received as a partial payment related to the investigation, settlement, prosecution, and restitution proceedings related to the former NATG executives, $1.1 million benefit related to the settlement of vendor obligations, $0.5 million received from auction proceeds from the sale of fixed assets and approximately $0.4 million received when the buyer of NATG. exercised its option to acquire the consumer customer lists and related information of the NATG business. Amounts related to the discontinued NATG business that are unpaid at December 31, 2016 are recorded in Accrued expenses and other current liabilities and Other liabilities in the accompanying consolidated balance sheets. The Company expects that total additional NATG wind-down costs will be between $1.0 million and $5.0 million, which will be presented in discontinued operations. Additional costs may be incurred for outstanding leased facilities as they are settled or sublet and any changes in estimates related to the collection of remaining accounts receivable.

The Company incurred special charges of approximately $27.9 million in continuing operations in 2015. These charges included approximately $25.6 million attributable to the NATG segment for severances and lease termination costs related to the closing of 31 retail stores and a warehouse during 2015. Other charges incurred in 2015 include costs for additional legal and professional fees related to the previously disclosed investigation and settlement with former officers and employees and long-lived asset impairment charges.

Special charges included in NATG discontinued operations in 2015 totaled approximately $1.6 million.

IPG recorded special charges of approximately $1.0 million in 2015 related to severance costs associated with the integration of P.E.G. of $0.4 million and $0.6 million for lease termination costs related to one of their leased facilities.

EMEA incurred special charges of approximately $1.3 million in 2015. These charges included $0.7 million related to the previously disclosed exit of the Chief Executive of the EMEA Technology operations and an impairment charge of $0.7 million related to the long-lived assets in Germany, Italy, Spain and Sweden operations. The impairment charge resulted from negative cash flows in 2015 and a forecast for continued cash use in these entities. A favorable severance accrual adjustment of $0.1 million was also recorded in 2015.

The Company incurred special charges of approximately $15.9 million in continuing operations in 2014. The NATG segment charges included approximately $3.5 million related to the final sale of the exited PC manufacturing business, changes in the estimate of lease valuation accruals and the buyout of the two retail store leases that were exited in 2013 prior to lease expiration and charges for additional legal and professional fees related to the previously disclosed investigation and settlement with former officers and employees. In addition, as a result of negative cash flows in its operations in the United States and Canada in 2014 and a forecast for continued cash use, the Company conducted an evaluation of the long-lived and intangible assets in those operations and concluded that those assets were impaired. Consequently an impairment charge was recorded.

In EMEA, the Company incurred special charges in 2014 related to the restructure of certain small market operations in 2014. These charges, estimates of which were previously disclosed, included approximately $11.7 million in estimated workforce reductions related to the restructuring of our European operations and $0.5 million in continued recruitment costs to staff the European shared services center.

Corporate and other segment incurred $0.1 million of special charges related to severance costs in 2014.

Special charges included in NATG discontinued operations totaled approximately $8.5 million in 2014.

OPERATING MARGIN

The decrease in IPG's operating margin in 2016 reflects the increased expenses for the larger Las Vegas distribution center, including temporary help to ensure our service level is maintained during our transition to our new warehouse management and distribution system, increased internet advertising spending to drive traffic, increased salary and related costs due to investments in sales force and customer service staff, partially offset by a reduction of back office headcount, which was completed in the second quarter of 2016, as well as approximately $1.7 million related to an inventory adjustment the Company gained visibility into during the IT system conversion in the second quarter of 2016.

The decline in IPG operating margin in 2015 was primarily attributable to reduced freight margins and increased distribution costs associated with the opening of a new distribution center in the third quarter of 2015 . The Company anticipates that this new facility will result in improved profitability from freight cost reductions to west coast customers and improved efficiency at the other distribution centers.

The EMEA operating margin decline for the year ended December 31, 2016 is primarily the result of the changes in the sales mix, aggressive pricing in the United Kingdom, along with operating margin declines in a number of our smaller markets, approximately $1.1 million charge related to a contractual dispute accrual, increased IT costs offset by the impact of exchange rate changes on salary and related costs, lower telephone, travel and related expenses and higher margins in the France and Netherlands business.

The decline in operating margin in EMEA Technology Products segment for 2015 was primarily related to reduced selling margins in Europe, particularly in the United Kingdom, increased expenses in Europe resulting from a temporary duplication of local functions and other redundancies as we completed the transition of functions from each country to the European shared services center and special charges related to the exit from the consumer and retail business partially offset by lower SG&A expenses in North America.

The decline in NATG operating margin from continuing operations for 2015 compared to 2014 reflects the reduced selling prices in connection with the liquidation pricing strategy in the retail stores exited.

Consolidated operating margin was impacted by special charges of $5.9 million, $27.9 million and $15.9 million in 2016, 2015 and 2014, respectively.

INTEREST AND OTHER INCOME, NET

Included in interest and other income, net is interest expense of $0.8 million, $1.0 million and $1.0 million in 2016, 2015 and 2014, respectively.

INCOME TAXES

The Company's tax expense is presented in both continuing and discontinued operations in 2015 and 2014. Tax expense included in continuing operations was approximately $10.0 million in 2016 compared to $13.5 million in 2015. Tax expense was driven primarily by tax expense in EMEA, Canada, Puerto Rico and certain U.S. states in both 2016 and 2015. The decrease in tax expense in 2016 is primarily attributable to lower tax expense in the U.S. and EMEA.

Tax expense included in continuing operations was approximately $13.5 million in 2015 versus $11.9 million in 2014. Tax expense in 2015 was driven primarily by tax expense in EMEA, Canada, Puerto Rico and certain U.S. states in both 2015 and 2014. The increase in tax expense in 2015 is primarily attributable to higher taxable income in EMEA in 2015.

Financial Condition, Liquidity and Capital Resources

Selected liquidity data (in millions):

	December 31, 2016	December 31, 2015	$ Change
Cash	$ 149.7	$ 215.1	$ (65.4)
Accounts receivable, net	$ 214.5	$ 266.3	$ (51.8)
Inventories	$ 140.7	$ 144.4	$ (3.7)
Prepaid expenses and other current assets	$ 6.3	$ 14.5	$ (8.2)
Accounts payable	$ 260.4	$ 346.5	$ (86.1)
Accrued expenses and other current liabilities	$ 64.5	$ 79.0	$ (14.5)
Working capital	$ 186.2	$ 214.2	$ (28.0)

Our primary liquidity needs are to support working capital requirements in our business, including working capital for winding down of our NATG operations, implementing new inventory and warehouse functions in North America, funding capital expenditures, continuing investment in upgrading and expanding our technological capabilities and information technology infrastructure, repaying outstanding debt, and funding acquisitions. We rely principally upon operating cash flows to meet these needs. We believe that cash flow available from operations and our availability under credit facilities will be sufficient to fund our working capital and other cash requirements for the next twelve months. We believe our current capital structure and cash resources are adequate for our internal growth initiatives. To the extent our growth initiatives expand, including major acquisitions, we would seek to raise additional capital. We believe that, if needed, we can access public or private funding alternatives to raise additional capital.

Our working capital decreased due to cash used for the NATG wind-down and the net loss incurred in 2016. Accounts receivable days outstanding were at 49.6 in 2016 up from 38.1 in 2015. This trend reflects a higher proportion of our sales coming from B2B channels, where most customers do business with us on open credit account, and a lower proportion of our sales being B2C channels, where most customers purchase from us using credit cards. Inventory turns were 10.5 in 2016 compared to 11.3 in 2015 and accounts payable days outstanding were 70.2 in 2016 compared to 53.4 in 2015. We expect that future accounts receivable, inventory and accounts payable balances will fluctuate with net sales and the mix of our net sales between consumer and business customers.

Net cash used in operating activities from continuing operations was $33.3 million resulting from changes in our working capital accounts, which used $41.6 million in cash compared to $158.7 million provided in 2015, primarily the result of the payment of accounts payable and accrued expenses and other current liabilities and fluctuation in our accounts receivable balances. Cash generated from net income (loss) adjusted by other non-cash items provided $8.3 million compared to $23.1 million used by these items in 2015, primarily related to the net loss from operations, the gain on the sale of the Company's rebate processing business and the fluctuation in depreciation and amortization expense, asset impairment charges and other non-cash benefit recognized from the assignment of certain NATG debt in the related sale. Net cash provided by operating activities from continuing operations was $135.6 million in 2015 compared to $0.8 million during 2014, primarily the result of the liquidation of inventories at our retail stores and fluctuation in our accounts receivable and accounts payable balances. Cash generated from net income (loss) adjusted by other non-cash items used $23.1 million in 2015 compared to $0.9 million provided in 2014, primarily the result of increased losses and fluctuations in depreciation and amortization charges, asset impairment charges and the utilization of net operating loss carryforwards from our France operations. Net cash used in operating activities from discontinued operations was $24.1 million, $49.1 million and $0.9 million for 2016, 2015 and 2014 respectively .

Net cash used in investing activities totaled $2.7 million, $34.7 million and $12.5 million for 2016, 2015 and 2014, respectively. In 2016 investing activities included information and communication systems hardware and software, leasehold improvements and lift trucks for inventory and warehousing functions for IPG segment, leasehold improvements for office space at one of our EMEA locations and a new conveyor system for inventory and warehousing functions at one of our EMEA locations. The acquisition of P.E.G. in 2015 used $24.8 million, net of cash acquired of $1.1 million and in 2014, $6.4 million was used for the Misco Solutions acquisition, net of cash acquired of $0.9 million along with $0.9 million of proceeds from the sale of our former PC manufacturing facility. In 2015 other investing activities include leasehold improvements for racking, equipment and build out of our additional warehouse space for IPG segment, new office space for our France operations, expenditures for our inventory and warehousing functions in EMEA and IPG and information and communications systems hardware and software, aggregating $11.3 million. In 2014, other investing activities include office expansions related to our Industrial Products segment, expenditures for the European shared services center, computer and office equipment expenditures for the sales and administrative offices in the United Kingdom, expenditures for our inventory and warehousing functions in Europe, and information and communications systems hardware and software, totaling approximately $7.1 million in 2014.

Net cash used in financing activities was $4.1 million, $3.0 million and $2.3 million in 2016, 2015 and 2014, respectively. In 2016 cash used in financing activities was primarily related to dividends paid. In 2015, we repaid approximately $2.8 million of capital lease obligations and repurchased approximately $0.2 million of treasury stock. In 2014, we repaid approximately $2.6 million of capital lease obligations and net proceeds and excess tax benefit from stock option exercises provided $0.3 million.

The Company maintains a $75.0 million secured revolving credit agreement with one financial institution which has a five year term, maturing on October 28, 2021. The new credit agreement contains certain operating, financial and other covenants, including limits on annual levels of capital expenditures, availability tests related to payments of dividends and stock repurchases and fixed charge coverage tests related to acquisitions. The revolving credit agreement requires that a minimum level of availability be maintained. If such availability is not maintained, the Company will be required to maintain a fixed charge coverage ratio (as defined). The borrowings under the agreement are subject to borrowing base limitations of up to 85% of eligible accounts receivable and the inventory advance rate computed as the lesser of 60% or 85% of the net orderly liquidation value (“NOLV”). Borrowings are secured by substantially all of the Borrower’s assets, including all accounts, accounts receivable, inventory and certain other assets, subject to limited exceptions, including the exclusion of certain foreign assets from the collateral. The interest rate under the amended and restated facility is computed at applicable market rates based on the London interbank offered rate (“LIBO”), the Federal Reserve Bank of New York (“NYFRB”) or the Prime Rate, plus an applicable margin. The applicable margin varies based on borrowing base availability. As of December 31, 2016, eligible collateral under the credit agreement was $64.4 million, total availability was $58.9 million, total outstanding letters of credit were $5.5 million and there were no outstanding borrowings. The Company was in compliance with all of the covenants of the credit agreement in place as of December 31, 2016.

Levels of earnings and cash flows are dependent on factors such as consolidated gross margin and selling, general and administrative costs as a percentage of sales, product mix and relative levels of domestic and foreign sales. Unusual gains or expense items, such as special (gains) charges and settlements, may impact earnings and are separately disclosed. We expect that past performance may not be indicative of future performance due to the competitive nature of our EMEA Technology Products segment where the need to adjust prices to gain or hold market share is prevalent.

Macroeconomic conditions, such as business and consumer sentiment, may affect our revenues, cash flows or financial condition. However, we do not believe that there is a direct correlation between any specific macroeconomic indicator and our revenues, cash flows or financial condition. We are not currently interest rate sensitive, as we have significant cash balances and minimal debt.

The expenses, capital expenditures and exit activities described above will require significant levels of liquidity, which we believe can be adequately funded from our currently available cash resources. In 2017 we anticipate capital expenditures of up to $5.0 million, though at this time we are not contractually committed to incur these expenditures. Over the past several years we have engaged in opportunistic acquisitions, choosing to pay the purchase price in cash, and may do so in the future as favorable situations arise. However, a deep and prolonged period of reduced business spending could adversely impact our cash resources and force us to either forego future acquisition opportunities or to pay the purchase price in shares of our common stock, which could have a dilutive effect on our earnings per share. In addition we anticipate cash needs for implementation of the financial systems. We believe that our cash balances, future cash flows from operations and our availability under credit facilities will be sufficient to fund our working capital and other cash requirements for at least the next twelve months.

We maintain our cash and cash equivalents primarily in non-interest bearing cash accounts that partially offset banking fees as the earnings credit for doing so exceeds current money market yields. As of December 31, 2016, we had no investments with maturities of greater than three months. Accordingly, we do not believe that our cash balances have significant exposure to interest rate risk. At December 31, 2016 cash balances held in foreign subsidiaries totaled approximately $42.1 million. These balances are held in local country banks and are not readily available to the U.S. parent company on a tax efficient basis. The Company would need to accrue and pay income taxes on any cash repatriated to the U.S. parent company. The Company has made the decision to indefinitely reinvest earnings in its foreign tax jurisdictions. The Company had in excess of $177.0 million of liquidity (cash and undrawn line of credit) in the U.S. as of December 31, 2016, which is sufficient to fund its U.S. operations and capital needs, including any dividend payments, for the foreseeable future.

We are obligated under non-cancelable operating leases for the rental of most of our facilities and certain of our equipment which expires at various dates through 2032. We have sublease agreements for unused space we lease in the United States. In the event the sub lessee is unable to fulfill its obligations, we would be responsible for rents due under the leases.

Following is a summary of our contractual obligations for future principal payments on our debt, minimum rental payments on our non-cancelable operating leases and minimum payments on our other purchase obligations as of December 31, 2016 (in millions):

		Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations:						
Capital lease obligations	$	0.2	0.1	0.1	-	-
Non-cancelable operating leases, net of subleases		147.8	19.9	52.6	30.9	44.4
Purchase & other obligations		22.6	4.6	9.0	9.0	-
Total contractual obligations	$	170.6	24.6	61.7	39.9	44.4

Our purchase and other obligations consist primarily of product purchase commitments, certain employment agreements and service agreements.

In addition to the contractual obligations noted above, we had $5.5 million of standby letters of credit outstanding as of December 2016.

We are party to certain litigation, the outcome of which we believe, based on discussions with legal counsel, will not have a material adverse effect on our consolidated financial statements.

Tax contingencies are related to uncertain tax positions taken on income tax returns that may result in additional tax, interest and penalties being paid to taxing authorities. As of December 31, 2016, the Company had no material uncertain tax positions.

Off-Balance Sheet Arrangements

We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into the financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks, which include changes in U.S. and international interest rates as well as changes in currency exchange rates (principally British Pounds Sterling, European Union Euros and Canadian Dollars) as measured against the U.S. Dollar and each other.

The translation of the financial statements of our operations located outside of the United States is impacted by movements in foreign currency exchange rates. Changes in currency exchange rates as measured against the U.S. dollar may positively or negatively affect income statement, balance sheet and cash flows as expressed in U.S. dollars. Sales would have fluctuated by approximately $102.4 million and pretax loss would have fluctuated by approximately $2.4 million if average foreign exchange rates changed by 10% in 2016. We have limited involvement with derivative financial instruments and do not use them for trading purposes. We may enter into foreign currency options or forward exchange contracts aimed at limiting in part the impact of certain currency fluctuations, but as of December 31, 2016 we had no outstanding forward exchange contracts.

Our exposure to market risk for changes in interest rates relates primarily to our variable rate debt. Our variable rate debt consists of short-term borrowings under our credit facilities. As of December 31, 2016, there were no outstanding balances under our variable rate credit facility. A hypothetical change in average interest rates of one percentage point is not expected to have a material effect on our financial position, results of operations or cash flows over the next fiscal year.

Item 8. Financial Statements and Supplementary Data.

The information required by Item 8 of Part II is incorporated herein by reference to the Consolidated Financial Statements filed with this report; see Item 15 of Part IV.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2016. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Inherent Limitations of Internal Controls over Financial Reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its internal control over financial reporting based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, a copy of which is included in this report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ending December 31, 2016 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 of Part III is hereby incorporated by reference to the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders. (the "Proxy Statement").

Item 11. Executive Compensation.

The information required by Item 11 of Part III is hereby incorporated by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by item 12 of Part III is hereby incorporated by reference to the Proxy Statement.

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

The information required by Item 13 of Part III is hereby incorporated by reference to the Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by Item 14 of Part III is hereby incorporated by reference to the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) 1. Consolidated Financial Statements of Systemax Inc.

2. Financial Statement Schedule:

The following financial statement schedule is filed as part of this report and should be read together with our consolidated financial statements:

Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Item 15. Exhibits and Financial Statement Schedules.

3. Exhibits.

Exhibit No.	Description
3.1	Certificate of Incorporation of the Company (incorporated by reference to the Company's registration statement on Form S-1) (Registration No. 33-92052).
3.2	Certificate of Amendment of Certificate of Incorporation of the Company (incorporated by reference to the Company’s report on Form 8-K dated May 18, 1999).
3.3	Amended and Restated By-laws of the Company (effective as of December 29, 2007, incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2007).
3.4	Amendment to the Bylaws of the Company (incorporated by reference to the Company’s report on Form 8-K dated March 3, 2008).
4.1	Stockholders Agreement (incorporated by reference to the Company’s quarterly report on Form 10-Q for the quarterly period ended September 30, 1995).
10.1*	Form of 1995 Long-Term Stock Incentive Plan (incorporated by reference to the Company’s registration statement on Form S-1) (Registration No. 333-1852).
10.2*	Form of 1995 Stock Plan for Non-Employee Directors (incorporated by reference to the Company’s registration statement on Form S-1) (Registration No. 333-1852).
10.3*	Form of 1999 Long-Term Stock Incentive Plan as amended (incorporated by reference to the Company’s report on Form 8-K dated May 20, 2003).
10.4*	Form of 2006 Stock Incentive Plan for Non-Employee Directors (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2006).
10.5*	Form of 2005 Employee Stock Purchase Plan (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2006).
10.6	Build-to-Suit Lease Agreement dated April 1995 among SYX Distribution Inc. (tenant), American National Bank and Trust Company of Chicago (trustee for the original landlord) and Walsh, Higgins & Company (contractor) (Naperville, IL Facility)(“Naperville Lease”) (incorporated by reference to the Company’s registration statement on Form S-1) (Registration No. 33-92052).
10.7	First Amendment, dated as of February 1, 2006, to the Naperville Lease between SYX Distribution Inc. (tenant).and Ambassador Drive LLC (landlord) (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2005).
10.8	Lease Agreement, dated December 8, 2005, between Global Equipment Company Inc. (tenant) and Hamilton Business Center, LLC (landlord) (Buford, Georgia facility) (the “Buford Lease”) (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2005).
10.9	First Amendment, dated June 12, 2006, to the Buford Lease, between Global Equipment Company Inc. (tenant) and Hamilton Business Center, LLC (landlord) (Buford, Georgia facility) (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2005).
10.10*	Employment Agreement, dated as of January 17, 2007, between the Company and Lawrence P. Reinhold (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2006).
10.11*	Amendment No. 1, dated December 30, 2009, to the Employment Agreement between the Company and Lawrence P. Reinhold (incorporated by reference to the Company’s report on Form 8-K dated December 30, 2009).
10.12	Lease Agreement, dated April 16, 2010, between Jefferson Project I LLC (landlord) and SYX Distribution Inc. (tenant) (Jefferson, GA facility) (the “Jefferson Lease”) (incorporated by reference to the Company’s quarterly report on Form 10-Q for the quarterly period ended March 31, 2012).

10.13	First Amendment, dated August 24, 2010, to the Jefferson Lease, between Jefferson Project I LLC (landlord) and SYX Distribution Inc. (tenant) (Jefferson, GA facility) (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended March 31, 2012).
10.14	Lease Agreement, dated February 27, 2012, between PR I Washington Township NJ, LLC (landlord) and Global Equipment Company Inc. (tenant) (Robbinsville, NJ facility) (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended March 31, 2012).
10.15*	Form of 2010 Long Term Incentive Plan (incorporated by reference to the Company's Definitive Proxy Statement filed April 29, 2010).
10.16*	Employment Agreement, dated April 12, 2012, between the Company and Eric Lerner (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended March 31, 2012).
10.17	Lease Agreement, dated December 10, 2014, between Prologis, L.P. (landlord) and Global Industrial Distribution Inc. (tenant) (Las Vegas, NV facility) (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2014).
10.18*	Amendment to the Term of the 2010 Long Term Incentive Plan (incorporated by reference to the Company's Supplemental Proxy Material filed May 18, 2015).
10.19	Third Amended and Restated Credit Agreement dated as of October 28, 2016, by and among Systemax Inc. and certain affiliates thereof and JPMorgan Chase Bank, N.A., as Administrative Agent, Sole Bookrunner and Sole Lead Arranger, and the lenders from time to time party thereto (incorporated by reference to the Company's report on Form 8-K dated November 3, 2016).
10.20	Third Amended and Restated Pledge and Security Agreement dated as of October 28, 2016, by and among Systemax Inc. and certain affiliates thereof and JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the lenders party to the Third Amended and Restated Credit Agreement (incorporated by reference to the Company's report on Form 8-K dated November 3, 2016).
10.21	Amended and Restated Lease dated December 14, 2016, by and between Global Equipment Company Inc. (tenant) and Addwin Realty Associates, LLC (landlord) (Port Washington, NY facility) (incorporated by reference to the Company's report on Form 8-K dated December 16, 2016).
10.22	Lease Agreement, dated January 3, 2013, between Systemax Business Services Kft (tenant) and Corvin Towers Ingatlanforgalmazó Kft (landlord) (Budapest, Hungary facility) (filed herewith).
14	Corporate Ethics Policy for Officers, Directors and Employees (revised as of January 2016) (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2015).
21	Subsidiaries of the Registrant (filed herewith).
23	Consent of Independent Registered Public Accounting Firm (filed herewith).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Exhibit is a management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYSTEMAX INC.

By: /s/ LAWRENCE REINHOLD

Lawrence Reinhold
President and Chief Executive Officer

Date: March 16, 2017

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

Signature	Title	Date
/s/ RICHARD LEEDS Richard Leeds	Executive Chairman and Director	March 16, 2017
/s/ BRUCE LEEDS Bruce Leeds	Vice Chairman and Director	March 16, 2017
/s/ ROBERT LEEDS Robert Leeds	Vice Chairman and Director	March 16, 2017
/s/ LAWRENCE REINHOLD Lawrence Reinhold	President and Chief Executive Officer and Director (Principal Executive Officer)	March 16, 2017
/s/ THOMAS CLARK Thomas Clark	Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 2017
/s/ THOMAS AXMACHER Thomas Axmacher	Vice President and Controller (Principal Accounting Officer)	March 16, 2017
/s/ ROBERT ROSENTHAL Robert Rosenthal	Director	March 16, 2017
/s/ STACY DICK Stacy Dick	Director	March 16, 2017
/s/ MARIE ADLER-KRAVECAS Marie Adler-Kravecas	Director	March 16, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Systemax Inc.

We have audited Systemax Inc. and subsidiaries (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Systemax Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Systemax Inc. and subsidiaries as of December 31, 2016 and 2015 and the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016 and our report dated March 16, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New York, New York
March 16, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Systemax Inc.

We have audited the accompanying consolidated balance sheets of Systemax Inc. and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Systemax Inc. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Systemax Inc.’s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 16, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New York, New York
March 16, 2017

SYSTEMAX INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except for share data)

	December 31, 2016	December 31, 2015
ASSETS:		
Current assets:		
Cash	$ 149.7	$ 215.1
Accounts receivable, net of allowances of $19.3 and $15.7	214.5	266.3
Inventories	140.7	144.4
Prepaid expenses and other current assets	6.3	14.5
Total current assets	511.2	640.3
Property, plant and equipment, net	29.5	38.3
Deferred income taxes	4.5	8.6
Goodwill and intangibles	17.3	18.8
Other assets	3.6	4.1
Total assets	$ 566.1	$ 710.1
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 260.4	$ 346.5
Accrued expenses and other current liabilities	64.6	79.6
Total current liabilities	325.0	426.1
Deferred income tax liability	0.5	0.4
Other liabilities	26.2	29.7
Total liabilities	351.7	456.2
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value $.01 per share, authorized 25 million shares; issued none		
Common stock, par value $.01 per share, authorized 150 million shares; issued 38,861,992 and 38,861,992 shares; outstanding 36,924,293 and 36,872,688 shares	0.4	0.4
Additional paid-in capital	185.5	184.4
Treasury stock at cost —1,937,699 and 1,989,304 shares	(23.9)	(24.5)
Retained earnings	73.1	109.4
Accumulated other comprehensive loss	(20.7)	(15.8)
Total shareholders' equity	214.4	253.9
Total liabilities and shareholders' equity	$ 566.1	$ 710.1

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Year Ended December 31,		
	2016	**2015**	**2014**
Net sales	$ 1,680.1	$ 1.854.7	$ 2,104.2
Cost of sales	1,355.4	1,512.0	1,727.0
Gross profit	324.7	342.7	377.2
Selling, general and administrative expenses	314.7	338.9	375.0
Special charges, net	5.9	27.9	15.9
Operating income (loss) from continuing operations	4.1	(24.1)	(13.7)
Foreign currency exchange loss	1.1	9.8	5.3
Interest and other income, net	0.9	0.9	1.1
Income (loss) from continuing operations before income taxes	2.1	(34.8)	(20.1)
Provision for income taxes	10.0	13.5	11.9
Net loss from continuing operations	(7.9)	(48.3)	(32.0)
Loss from discontinued operations, net of tax	(24.7)	(51.5)	(5.5)
Net loss	$ (32.6)	$ (99.8)	$ (37.5)
Basic and diluted EPS:			
Net loss per share from continuing operations	$ (0.21)	$ (1.30)	$ (0.86)
Net loss per share from discontinued operations	$ (0.66)	$ (1.39)	$ (0.15)
Net loss per share, basic and diluted	$ (0.87)	$ (2.69)	$ (1.01)
Weighted average common and common equivalent shares:			
Basic and diluted	37.2	37.1	37.1
Dividends declared and paid	$ 0.10	-	-

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in millions)

	Year Ended December 31,		
	2016	**2015**	**2014**
Net loss	$ (32.6)	$ (99.8)	$ (37.5)
Other comprehensive loss:			
Foreign currency translation loss	(4.9)	(6.9)	(11.1)
Total comprehensive loss	$ (37.5)	$ (106.7)	$ (48.6)

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31, 2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss from continuing operations	$ (7.9)	$ (48.3)	$ (32.0)
Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities:			
Depreciation and amortization	7.9	9.3	11.5
Asset impairment and other non-cash benefit	1.8	1.4	10.2
Provision for deferred income taxes	4.4	5.5	0.7
Provision for returns and doubtful accounts	4.6	7.9	8.9
Compensation expense related to equity compensation plans	1.7	1.2	1.5
(Gain) loss on dispositions and abandonment	(4.2)	(0.1)	0.1
Changes in operating assets and liabilities:			
Accounts receivable	35.6	70.7	(54.0)
Inventories	0.5	153.5	23.9
Prepaid expenses and other current assets	6.7	2.7	(1.0)
Income taxes payable (receivable)	0.6	(0.3)	14.4
Accounts payable	(70.4)	(62.7)	10.1
Accrued expenses and other current liabilities	(14.6)	(5.2)	6.5
Net cash provided by (used in) operating activities from continuing operations	(33.3)	135.6	0.8
Net cash provided by (used in) operating activities from discontinued operations	(24.1)	(49.1)	(0.9)
Net cash provided by (used in) operating activities	(57.4)	86.5	(0.1)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(3.3)	(11.3)	(7.1)
Proceeds from disposals of property, plant and equipment	0.6	1.4	1.0
Acquisitions net of cash acquired	-	(24.8)	(6.4)
Net cash used in investing activities	(2.7)	(34.7)	(12.5)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of capital lease obligations	(0.4)	(2.8)	(2.6)
Dividends paid	(3.7)	-	-
Proceeds from issuance of common stock	-	-	0.3
Repurchase of treasury stock	-	(0.2)	-
Net cash used in financing activities	(4.1)	(3.0)	(2.3)
EFFECTS OF EXCHANGE RATES ON CASH	(1.2)	1.3	(1.5)
NET INCREASE (DECREASE) IN CASH	(65.4)	50.1	(16.4)
CASH – BEGINNING OF YEAR	215.1	165.0	181.4
CASH – END OF YEAR	$ 149.7	$ 215.1	$ 165.0
Supplemental disclosures:			
Interest paid	$ 0.7	$ 0.7	$ 1.1
Income taxes paid	$ 5.8	$ 4.1	$ 5.2
Supplemental disclosures of non-cash investing and financing activities:			
Acquisitions of equipment through capital leases	$ -	$ -	$ 0.8

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions, except share data in thousands)

	Common Stock						
	Number of Shares Outstanding	Amount	Additional Paid-in Capital	Treasury Stock, At Cost	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balances, December 31, 2013	36,729	$ 0.4	$ 183.3	$ (26.4)	$ 246.7	$ 2.2	$ 406.2
Stock-based compensation expense			1.5				1.5
Issuance of restricted stock	45		(0.3)	0.6			0.3
Exercise of stock options	34		(0.1)	0.4			0.3
Surrender of fully vested options			(0.1)				(0.1)
Change in cumulative translation adjustment						(11.1)	(11.1)
Net loss					(37.5)		(37.5)
Balances, December 31, 2014	36,808	$ 0.4	$ 184.3	$ (25.4)	$ 209.2	$ (8.9)	359.6
Stock-based compensation expense			1.2				1.2
Issuance of restricted stock	86		(1.1)	1.1			-
Exercise of stock options	4		-	-			-
Surrender of fully vested options	(25)			(0.2)			(0.2)
Change in cumulative translation adjustment						(6.9)	(6.9)
Net loss					(99.8)		(99.8)
Balances, December 31, 2015	36,873	$ 0.4	$ 184.4	$ (24.5)	$ 109.4	$ (15.8)	$ 253.9
Stock-based compensation expense			1.7				1.7
Issuance of restricted stock	51		(0.6)	0.6			-
Dividends paid					(3.7)		(3.7)
Change in cumulative translation adjustment						(4.9)	(4.9)
Net loss					(32.6)		(32.6)
Balances, December 31, 2016	36,924	$ 0.4	$ 185.5	$ (23.9)	$ 73.1	$ (20.7)	$ 214.4

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Systemax Inc. is primarily a direct marketer of brand name and private label products. Since the December 2015 sale of the North American Technology Group ("NATG") business, the Company has operated and is internally managed in two reportable segments - Industrial Products Group ("IPG") and EMEA Technology Products Group ("EMEA"). Smaller business operations and corporate functions are aggregated and reported as an additional segment – Corporate and Other ("Corporate"). As previously disclosed in December 2015, the Company sold certain assets and liabilities of its NATG business and at that time began the wind-down of the remaining business. This wind-down is substantially complete although the Company has continued with collecting accounts receivable, settling accounts payable, marketing remaining leased facilities, as well as, settling remaining lease obligations and other contingencies during the current year.

As disclosed in its Form 10-K for the fiscal year 2015, the Company announced a restructuring of its NATG business in March 2015. The NATG segment sold products categorized as Information and Communications Technology ("ICT") and Consumer Electronics ("CE") products. These products included computers, computer supplies and consumer electronics which were marketed in North America. The Company followed the guidance under Accounting Standards Update ("ASU") 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* which required disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Under ASU 2014-08 in order for a disposal to qualify for discontinued operations presentation in the financial statements, the disposal must be a "strategic shift" with a major impact for the reporting entity. If the entity meets this threshold, only the components that were in operation at the time of disposal are presented as discontinued operations. The sale of the NATG business in December 2015 had a major impact on the Company and therefore met the strategic shift criteria. The NATG components in operation at the time of the sale were the B2B and Ecommerce businesses and three remaining retail stores. Accordingly, these components and the results of operations have been adjusted in the accompanying financial statements to reflect their presentation in discontinued operations.

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Systemax Inc. and its wholly-owned subsidiaries (collectively, the "Company" or "Systemax"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications — Certain prior year amounts were reclassified to conform to current year presentation.

Fiscal Year — The Company's fiscal year ends at midnight on the Saturday closest to December 31. For clarity of presentation herein, all fiscal years are referred to as if they ended on December 31. The fiscal year is divided into four fiscal quarters that each end at midnight on a Saturday. Fiscal quarters will typically include 13 weeks, but the fourth quarter will include 14 weeks in a 53 week fiscal year. For clarity of presentation herein, all fiscal quarters are referred to as if they ended on the traditional calendar month. The full year of 2016 included 52 weeks compared to 2015 which had 53 weeks and 2014 which included 52 weeks.

Use of Estimates In Financial Statements — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience, current business factors, and various other assumptions that the Company believes are necessary to consider to form a basis for making judgments about the carrying values of assets and liabilities, the recorded amounts of revenue and expenses, and the disclosure of contingent assets and liabilities. The Company is subject to uncertainties such as the impact of future events, economic and political factors, and changes in the Company's business environment, therefore, actual results could differ from these estimates.

Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in reported results of operations; if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial statements. Significant estimates and assumptions by management affect the allowance for doubtful accounts, sales returns and allowances, inventory reserves, allowances for cooperative advertising, vendor drop shipments, the carrying value of long-lived assets (including goodwill and intangible assets), the carrying value, capitalization and amortization of software development costs, the provision for income taxes and related deferred tax accounts, certain accrued liabilities, revenue recognition, contingencies, sub-rental lease income, litigation and related legal accruals and the value attributed to employee stock options and other stock-based awards.

Foreign Currency Translation — The Company has operations in numerous foreign countries. The functional currency of each foreign country is the local currency. The financial statements of the Company's foreign entities are translated into U.S. dollars, the reporting currency, using year-end exchange rates for assets and liabilities, year to date average exchange rates for the statement of operations items and historical rates for equity accounts. Translation gains or losses are recorded as a separate component of shareholders' equity.

Cash — The Company considers amounts held in money market accounts and other short-term investments, including overnight bank deposits, with an original maturity date of three months or less to be cash. Cash overdrafts are classified in accounts payable.

Inventories — Inventories consist primarily of finished goods and are stated at the lower of cost or net realizable value. Cost is determined by using the first-in, first-out method except in certain locations in Europe and retail locations where an average cost is used.

Property, Plant and Equipment — Property, plant and equipment is stated at cost. Furniture, fixtures and equipment, including equipment under capital leases, are depreciated using the straight-line or accelerated method over their estimated useful lives ranging from three to ten years. Buildings are depreciated using the straight-line method over estimated useful lives of 30 to 50 years. Leasehold improvements are amortized over the shorter of the useful lives or the term of the respective leases.

Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of operations in the period realized.

Internal-Use Software - Internal-use software is included in fixed assets and is amortized on a straight-line basis over 3 years. The Company capitalizes costs incurred during the application development stage. Costs related to minor upgrades, minor enhancements and maintenance activities are expensed as incurred.

Evaluation of Long-lived Assets — Long lived assets are assets used in the Company's operations and include, definite-lived intangible assets leasehold improvements, warehouse and similar property used to generate sales and cash flows. Long lived assets are tested for impairment utilizing a recoverability test. The recoverability test compares the carrying value of an asset group to the undiscounted cash flows directly attributable to the asset group over the life of the primary asset. If the undiscounted cash flows of an asset group is less than the carrying value of the asset group, the fair value of the asset group is then measured. If the fair value is also determined to be less than the carrying value of the asset group, the asset group is impaired.

In 2016, an impairment charge of approximately $1.7 million was recorded in the EMEA operations in the United Kingdom as a result of negative cash flows in the business. In 2015, as a result of negative cash flows in the discontinued NATG operations and the EMEA operations in Germany, Italy, Spain and Sweden, the Company conducted an evaluation of the long-lived assets in those operations and concluded that those assets were impaired. Accordingly an impairment charge of approximately $1.4 million was recorded during the year ended December 31, 2015. In 2014, NATG operations recorded an impairment charge of $10.0 million after the Company conducted an evaluation of its long-lived assets and determined that those assets were impaired.

Business Combinations — The Company accounts for its business combinations using the acquisition method of accounting. The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities assumed by the Company to the sellers and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date. The excess of (i) the total costs of acquisition over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill.

Goodwill and Intangible Assets — Goodwill represents the excess of the cost of acquired assets over the fair value of assets acquired. The Company performs a qualitative assessment of goodwill and non-amortizing intangibles to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment shows that the fair value of the reporting unit exceeds its carrying amount, the company is not required to complete the annual two step goodwill impairment test. If a quantitative analysis is required to be performed for goodwill, the fair value of the reporting unit to which the goodwill has been assigned is determined using a discounted cash flow model. A discounted cash flow model is also used to determine fair value of indefinite-lived intangibles using projected cash flows of the intangible. Unobservable inputs related to these discounted cash flow models include projected sales growth, same store sales growth, gross margin percentages, new business opportunities, working capital requirements, capital expenditures and growth in selling, general and administrative expense.

In December 2016, the Company conducted an evaluation of the intangible assets in its EMEA and IPG segments and concluded that assets were impaired in the United Kingdom and Mexico operations and an impairment charge of approximately $0.3 million and $0.1 million, respectively, was recorded in the fourth quarter.

Income Taxes — The Company accounts for income taxes using the liability method, under which deferred tax assets and liabilities are determined based on the future tax consequences attributable to differences between the financial reporting carrying amounts of existing assets and liabilities and their respective tax basis and tax credit carry forwards and net operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to be in effect when the differences are expected to reverse.

The Company assesses the likelihood that deferred tax assets will be recovered from future taxable income, and a valuation allowance is established when necessary to reduce deferred tax assets to the amounts more likely than not expected to be realized.

The Company recognizes and measures uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Significant judgment is required to evaluate uncertain tax positions. The Company evaluates its uncertain tax positions on a regular basis. Its evaluations are based on a number of factors, including changes in facts and circumstances, changes in tax law, correspondence with tax authorities during the course of audit and effective settlement of audit issues. The Company's policy is to include interest and penalties related to unrecognized tax benefits as income tax expense in the consolidated statements of operations.

Revenue Recognition and Accounts Receivable — The Company recognizes sales of products, including shipping revenue, when persuasive evidence of an order arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is reasonably assured. Generally, these criteria are met at the time the product is received by the customers when title and risk of loss have transferred except in our Industrial Products segment where title and risk pass at time of shipment. Allowances for estimated subsequent customer returns, rebates and sales incentives are provided when revenues are recorded. Revenues exclude sales tax collected. The Company evaluates collectability of accounts receivable based on numerous factors, including past transaction history with customers and their credit rating and provides a reserve for accounts that are potentially uncollectible. Trade receivables are generally written off once all collection efforts have been exhausted. Accounts receivable are shown in the consolidated balance sheets net of allowances for doubtful collections and subsequent customer returns.

Shipping and Handling Costs — The Company recognizes shipping and handling costs in cost of sales.

Advertising Costs — Expenditures for internet, television, local radio and newspaper advertising are expensed in the period the advertising takes place. Catalog preparation, printing and postage expenditures are amortized over the period of catalog distribution during which the benefits are expected, generally one to four months.

Net advertising expenses were $71.4 million, $74.4 million and $68.1 million during 2016, 2015 and 2014, respectively, and are included in the accompanying consolidated statements of operations. Of the previously mentioned amounts, NATG operations net advertising expenses totaled $1.5 million, $7.5 million and $10.7 million during 2016, 2015 and 2014, respectively. The Company utilizes advertising programs to support vendors, including catalogs, internet and magazine advertising, and receives payments and credits from vendors, including consideration pursuant to volume incentive programs and cooperative marketing programs. The Company accounts for consideration from vendors as a reduction of cost of sales unless certain conditions are met showing that the funds are used for specific, incremental, identifiable costs, in which case the consideration is accounted for as a reduction in the related expense category, such as advertising expense. The amount of vendor consideration recorded as a reduction of selling, general and administrative expenses totaled $6.4 million, $20.2 million and $38.8 million during 2016, 2015 and 2014, respectively. Of the previously mentioned amounts, NATG operations vendor consideration for 2016 was $0.9 million in costs due to vendor balance reconciliations. For 2015 and 2014, NATG operations vendor consideration was recorded as a reduction of selling, general and administrative expenses of $12.1 million and $24.9 million, respectively.

Stock Based Compensation — The fair value of employee share options is recognized in expense over the vesting period of the options, using the graded attribution method. The fair value of employee share options is determined on the date of grant using the Black-Scholes option pricing model. The Company has used historical volatility in its estimate of expected volatility. The expected life represents the period of time (in years) for which the options granted are expected to be outstanding. The risk-free interest rate is based on the U.S. Treasury yield curve. Stock-based compensation expense includes an estimate for forfeitures and is recognized over the expected term of the award.

Net Income (Loss) Per Common Share – Net income per common share - basic is calculated based upon the weighted average number of common shares outstanding during the respective periods presented using the two class method of computing earnings per share. The two class method was used as the Company has outstanding restricted stock with rights to dividend participation for unvested shares. Net income per common share - diluted was calculated based upon the weighted average number of common shares outstanding and included the equivalent shares for dilutive options outstanding during the respective periods, including unvested options. The dilutive effect of outstanding options and restricted stock issued by the Company is reflected in net income per share - diluted using the treasury stock method. Under the treasury stock method, options will only have a dilutive effect when the average market price of common stock during the period exceeds the exercise price of the options.

Basic and diluted net loss per share was the same for each period presented as the inclusion of all potential shares of common stock of the Company outstanding would have been anti-dilutive. The weighted average number of stock options and restricted stock awards outstanding excluded from the computation of diluted earnings (loss) per share was 1.3 million shares, 1.0 million shares and 0.8 million shares for the years ended December 31, 2016, 2015 and 2014, respectively, due to their antidilutive effect.

Employee Benefit Plans - The Company's U.S. subsidiaries participate in a defined contribution 401(k) plan covering substantially all U.S. employees. Employees may invest 1% or more of their eligible compensation, limited to maximum amounts as determined by the Internal Revenue Service. The Company provides a matching contribution to the plan, determined as a percentage of the employees' contributions. Aggregate expense to the Company for contributions to the plan was approximately $0.4 million in 2016 and $0.9 million in 2015 and 2014, respectively and of these amounts, NATG operations expense was $0.0 million, $0.4 million and $0.5 million in each of 2016, 2015 and 2014, respectively.

Fair Value Measurements - Financial instruments consist primarily of investments in cash, trade accounts receivable, debt and accounts payable. The Company estimates the fair value of financial instruments based on interest rates available to the Company. At December 31, 2016 and 2015, the carrying amounts of cash, accounts receivable and accounts payable are considered to be representative of their respective fair values due to their short-term nature. Cash is classified as Level 1 within the fair value hierarchy. The Company's debt is considered to be representative of its fair value because of its variable interest rate. The weighted average interest rate on short-term borrowings was 4.7%, 4.3%, and 4.3% in 2016, 2015 and 2014, respectively.

The fair value of goodwill, non-amortizing intangibles and long lived assets is measured in connection with the Company's annual impairment testing as discussed above.

Significant Concentrations - Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The Company's excess cash balances are invested with money center banks. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and their geographic dispersion comprising the Company's customer base. The Company also performs on-going credit evaluations and maintains allowances for potential losses as warranted.

The Company purchases substantially all of our products and components directly from manufacturers and large wholesale distributors. Two vendors accounted for 10% of more of our purchases in 2016: one vendor accounted for 15.2% and another vendor accounted for 13.8%. Two vendors accounted for 10% or more of our purchases in 2015 and 2014: one vendor accounted for 12.2% and 12.6%, respectively; another vendor accounted for 10.9% and 11.6%, respectively. Excluding NATG operations, no vendor accounted for 10% or more of our purchases in 2015 or 2014.

Recent Accounting Pronouncements

Public companies in the United States are subject to the accounting and reporting requirements of various authorities, including the Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission ("SEC"). These authorities issue numerous pronouncements, most of which are not applicable to the Company's current or reasonably foreseeable operating structure. Below are the new authoritative pronouncements that management believes are relevant to Company's current operations.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* , to clarify the principles of recognizing revenue and create common revenue recognition guidance under U.S. GAAP and International Financial Reporting Standards. Following the FASB's finalization of a one year deferral of this standard, the ASU is now effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017, with early adoption permitted for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2016. This ASU can be adopted either retrospectively to each reporting period presented or as a cumulative effect adjustment as of the date of the adoption. The standard supersedes existing revenue recognition guidance and replaces it with a five step revenue model with a core principle that an entity recognizes revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In March 2016, the FASB issued Accounting Standards Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* which clarifies the implementation guidance on principal versus agent considerations

The Company intends to adopt the new guidance on January 1, 2018, with a cumulative-effect adjustment to opening retained earnings under the modified retrospective approach. Currently, the Company recognizes revenue when title passes to customers. The Company's implementation of this ASU includes the evaluation of its customer agreements to identify terms or conditions that could be considered a performance obligation such that, if material to the terms of the contract, consideration would be allocated to the performance obligation and could accelerate or defer the timing of recognizing revenue. The Company also continues to evaluate the presentation of its principal versus agent arrangements.

The Company's evaluation of the new guidance is not yet complete; however, based on the nature of the Company's primary revenue sources and current policies, the Company does not expect a significant change in the timing and presentation of recognizing its revenue.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *Inventory - Simplifying the Measurement of Inventory* (Topic 330) ("ASU No. 2015-11"). ASU No. 2015-11 requires an entity to measure inventory within the scope of the update at the lower of cost and net realizable value, and defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Effective January 1, 2016, the company adopted the provisions of ASU No. 2015-11 on a prospective basis. The adoption of the provisions of ASU No. 2015-11 did not materially impact the company's consolidated financial position or results of operations.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern* . This guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. ASU 2014-15 is effective for annual periods ending after December 15, 2016. Early adoption is permitted. The Company adopted this guidance in the fourth quarter of 2016 and based on the management assessment, there are no conditions and events that raise substantial doubt about the Company's ability to continue as a going concern. As a result, the adoption of this standard had no impact on the Company's consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* . ASU 2016-02 related to leases that outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new guidance requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms of greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. The new guidance must be adopted using the modified retrospective approach and will be effective for the Company starting in the first quarter of fiscal 2019. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption of this standard on the consolidated financial statements .

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* , which modifies certain accounting aspects for share-based payments to employees including, among other elements, the accounting for income taxes and forfeitures, as well as classifications in the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The new guidance will be effective for the Company starting in the first quarter of fiscal 2017. Early adoption is permitted in any annual or interim period. The company does not expect the adoption of ASU No. 2016-19 to materially impact the Company's consolidated financial position or result of operations.

2. ACQUISITIONS

On January 30, 2015, IPG acquired all of the outstanding equity interests of the Plant Equipment Group (“PEG”) from TAKKT America, a business-to-business direct marketer of maintenance, repair and operations (“MRO”) products with operations in North America for approximately $25.9 million in cash. This acquisition expanded the IPG segment presence in the MRO market in North America. The acquisition is considered an asset acquisition for tax purposes and as such, the goodwill resulting from this acquisition is tax deductible. The total associated transaction costs of the acquisition were $0.4 million and were recorded in selling, general and administrative expense. The acquisition was accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and the liabilities assumed be recognized at their fair values as of the acquisition date.

The following table summarizes the fair value of the assets acquired and liabilities assumed (in millions):

Purchase price	$	25.9
Less:		
Cash		1.1
Accounts receivable		10.0
Inventory		11.8
Fixed assets		1.2
Prepaid expenses		0.6
Leases, net		0.8
Client lists		2.1
Trademarks		4.1
Accounts payable		(7.5)
Accrued expenses		(3.7)
Other liabilities		(0.2)
Goodwill	$	5.6

The amount allocated to goodwill reflects the benefits the Company expects to realize from the growth of the acquisition’s operations.

For the twelve months ended December 31, 2015, PEG generated approximately $89.1 million in revenue and approximately $1.1 million of pretax income. In January 2016 PEG was fully integrated with the existing IPG segment.

The Company’s unaudited pro forma revenue and net loss from continuing operations for the years ended December 31, 2015 and 2014 below have been prepared as if PEG had been purchased on January 1, 2014 (in millions).

	Unaudited Pro Forma			
	2015		2014	
Revenue	$	1,861.5	$	2,204.4
Net loss from continuing operations	$	(48.3)	$	(32.4)

The unaudited pro forma financial information above is not necessarily indicative of what the Company’s consolidated results actually would have been if the acquisitions had been completed at the beginning of the respective periods. In addition, the unaudited pro forma information above does not attempt to project the Company’s future results.

3. DISPOSITIONS

As previously stated, the NATG business has been discontinued and below is a reconciliation of pretax loss from discontinued operations to the net loss from discontinued operations.

A reconciliation of pretax loss of Discontinued Operations to the Net Loss of Discontinued Operations is as follows:

	Year Ended December 31, 2016	2015	2014
Net sales	$ 11.8	$ 1,053.4	$ 1,338.6
Cost of sales	13.1	997.1	1,222.6
Gross profit (loss)	(1.3)	56.3	116.0
Selling, general and administrative expenses	14.0	109.9	119.7
Special charges, net	9.5	1.6	8.5
Operating loss from discontinued operations	(24.8)	(55.2)	(12.2)
Foreign currency exchange (gain) loss	0.2	(0.5)	0.1
Interest and other income, net	(0.3)	0.1	0.2
Loss of discontinued operations before income taxes	(24.7)	(54.8)	(12.5)
Benefit for income tax	-	(3.3)	(7.0)
Net loss from discontinued operations	(24.7)	(51.5)	(5.5)

In September 2016 the Company sold the operating business of Misco Germany and in December 2016 the Company sold its rebate processing business. Both of these divestures were not considered a major strategic shift and the results of these businesses are reflected in continuing operations.

4. GOODWILL AND INTANGIBLES

Goodwill and indefinite-lived intangible assets **:**

The following table provides information related to the carrying value of goodwill (in millions):

	December 31, 2016	December 31, 2015
Balance, January 1	$ 9.2	$ 3.9
Additions associated with acquisition	-	5.6
Impairment	(0.4)	-
Foreign currency translation	-	(0.3)
Balance, December 31	$ 8.8	$ 9.2

The Company has one trademark of $0.7 million that is considered an indefinite-lived intangible. In 2016 $5.7 million of trademarks and domain names that were considered indefinite-lived intangibles in prior years are now considered definite lived based upon changes in circumstances.

Definite-lived intangible assets:

The following table summarizes information related to definite-lived intangible assets as of December 31, 2016 (in millions):

	December 31, 2016				
	Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted avg useful life
Client lists	5-10 yrs	$ 5.5	$ 3.4	$ 2.1	7.6
Leases	3-6 yrs	0.8	0.3	0.5	4.1
Domain name	5 yrs	3.4	0.2	3.2	4.8
Trademark	5 yrs	2.5	0.5	2.0	4.0
Total		$ 12.2	$ 4.4	$ 7.8	5.3

The following table summarizes information related to definite-lived intangible assets as of December 31, 2015 (in millions):

	December 31, 2015				
	Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted avg useful life
Client lists	5-10 yrs	$ 5.5	$ 3.0	$ 2.5	8.3
Leases	3-6 yrs	0.8	0.1	0.7	4.7
Trademark	5 yrs	0.2	0.2	-	-
Total		$ 6.5	$ 3.3	$ 3.2	7.3

The aggregate amortization expense for these intangibles was approximately $1.1 million in 2016. The estimated amortization for future years ending December 31 is as follows (in millions):

2017	$ 1.7
2018	1.6
2019	1.5
2020 and after	3.0
Total	$ 7.8

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consist of the following (in millions):

	December 31,	
	2016	2015
Land and buildings	$ 14.9	$ 17.7
Furniture and fixtures, office, computer and other equipment and software	58.2	108.7
Leasehold improvements	18.4	21.8
	91.5	148.2
Less accumulated depreciation and amortization	62.0	109.9
Property, plant and equipment, net	$ 29.5	$ 38.3

Included in property, plant and equipment are assets under capital leases, as follows (in millions):

	2016	2015
Office, computer and other equipment	$ 6.0	$ 17.5
Less: Accumulated amortization	5.5	16.3
	$ 0.5	$ 1.2

Depreciation charged to operations for property, plant and equipment including capital leases in 2016, 2015, and 2014 was $7.4 million, $11.1 million and $15.4 million, respectively. NATG operations accounted for $0.6 million, $3.1 million and $8.5 million, of these amounts in 2016, 2015 and 2014, respectively.

6. CREDIT FACILITIES

The Company maintains a $75.0 million secured revolving credit agreement with one financial institution which has a five year term, maturing on October 28, 2021. The new credit agreement contains certain operating, financial and other covenants, including limits on annual levels of capital expenditures, availability tests related to payments of dividends and stock repurchases and fixed charge coverage tests related to acquisitions. The revolving credit agreement requires that a minimum level of availability be maintained. If such availability is not maintained, the Company will be required to maintain a fixed charge coverage ratio (as defined). The borrowings under the agreement are subject to borrowing base limitations of up to 85% of eligible accounts receivable and the inventory advance rate computed as the lesser of 60% or 85% of the net orderly liquidation value ("NOLV"). Borrowings are secured by substantially all of the borrower's assets, including all accounts, accounts receivable, inventory and certain other assets, subject to limited exceptions, including the exclusion of certain foreign assets from the collateral. The interest rate under the amended and restated facility is computed at applicable market rates based on the London interbank offered rate ("LIBO"), the Federal Reserve Bank of New York ("NYFRB") or the Prime Rate, plus an applicable margin. The applicable margin varies based on borrowing base availability. As of December 31, 2016, eligible collateral under the credit agreement was $64.4 million, total availability was $58.9 million, total outstanding letters of credit were $5.5 million and there were no outstanding borrowings. The Company was in compliance with all of the covenants of the credit agreement in place as of December 31, 2016.

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following (in millions):

	December 31,	
	2016	2015
Payroll and employee benefits	$ 24.4	$ 31.0
Advertising	6.7	7.6
Sales and VAT tax payable	6.2	5.1
Freight	3.4	5.6
Reorganization costs	7.6	6.3
Deferred revenue	4.2	5.4
Other	12.1	18.6
	$ 64.6	$ 79.6

8. SPECIAL CHARGES, NET

In 2016 the Company incurred special charges of $15.4 million within the EMEA and NATG segments, of which $5.9 million is included in continuing operations and $9.5 million is included in discontinued operations.

The Company's EMEA segment incurred special charges of approximately $3.7 million, $2.0 million related to impairment charges related to goodwill and long-lived assets in its United Kingdom operations and $1.7 million related to the sale of certain assets of its German business, including customer relationships and the employees of its Misco Germany branch. The Germany operations charges incurred included approximately $1.0 million for lease termination costs (includes $0.3 million benefit related to previous rent accruals), $0.6 million for professional fees related to the sale and approximately $0.1 million for write off of inventory and fixed assets. Amounts related to the sale that are unpaid at December 31, 2016 are recorded in Accrued expenses and other current liabilities and Other liabilities in the accompanying consolidated balance sheets.

The Company's NATG segment incurred special charges for the year ended December 31, 2016 of approximately $11.7 million, of which $2.2 million is included in continuing operations and $9.5 million is included in discontinued operations. Charges incurred included approximately $10.9 million for lease terminations and other exit costs (includes $3.3 million benefit of previous rent accruals) for the closing of the two remaining retail stores, a distribution center and the NATG corporate headquarters in 2016, approximately $2.0 million of additional lease termination costs (includes $0.1 million benefit of previous rent accruals) of our previously exited retail stores (present value of contractual gross lease payments net of sublease rental income, or settlement amount), $0.6 million for consulting expenses related to the lease terminations and $0.2 million for severance and related expenses.

NATG also incurred approximately $1.3 million of professional costs, related to the ongoing restitution proceedings against certain former NATG executives and professional costs related to the investigation conducted at the request of the US Attorney for the Southern District of Florida. These charges were offset by approximately $1.3 million received as a partial payment related to the investigation, settlement, prosecution, and restitution proceedings related to the former NATG executives, $1.1 million benefit related to the settlement of vendor obligations, $0.5 million received from auction proceeds from the sale of fixed assets and approximately $0.4 million received when the buyer of NATG exercised its option to acquire the consumer customer lists and related information of the business. Amounts related to the discontinued NATG business that are unpaid at December 31, 2016 are recorded in Accrued expenses and other current liabilities and Other liabilities in the accompanying consolidated balance sheets. The Company expects that total additional NATG wind-down costs will be between $1 million and $5 million, which will be presented in discontinued operations. Additional costs may be incurred for outstanding leased facilities as they are settled or sublet and any changes in estimates related to the collection of remaining accounts receivable.

The following table details the associated liabilities related to the EMEA and former NATG segments special charges (in millions):

	EMEA - Workforce reductions and personnel costs	EMEA – Lease liabilities and other costs	NATG – Workforce reductions	NATG – Lease liabilities and other exit costs	Total
Balance January 1, 2016	$ 0.3	$ -	$ 2.7	$ 16.3	$ 19.3
Charged to expense	-	1.9	0.2	16.9	19.0
Paid or otherwise settled	(0.3)	(0.7)	(2.9)	(13.9)	(17.8)
Balance December 31, 2016	$ -	$ 1.2	$ -	$ 19.3	$ 20.5

The following table details the associated liabilities incurred related to the Technology Products segments special charges (in millions) for 2015:

	EMEA- Workforce Reductions and Personnel Costs	NATG- Workforce Reductions	NATG- Other Exit Costs	Total
Balance, January 1, 2015	$ 4.7	$ -	$ -	$ 4.7
Charged to expense	0.4	5.5	33.0	38.9
Paid or otherwise settled	(4.8)	(2.8)	(16.7)	(24.3)
Balance, December 31, 2015	$ 0.3	$ 2.7	$ 16.3	$ 19.3

9. SHAREHOLDERS' EQUITY

Stock-Based Compensation Plans

The Company currently has three equity compensation plans which reserve shares of common stock for issuance to key employees, directors, consultants and advisors to the Company. The following is a description of these plans:

The 1999 Long-term Stock Incentive Plan, as amended ("1999 Plan") - This plan was adopted in October 1999 with substantially the same terms and provisions as the 1995 Long-term Stock Incentive Plan. The number of shares that may be granted under this plan to a maximum of 7,500,000. The maximum number of shares granted per type of award to any individual may not exceed 1,500,000 in any calendar year and 3,000,000 in total. The ability to grant new awards under this plan ended on December 31, 2009 but awards granted prior to such date continue until their expiration. A total of 381,500 options were outstanding under this plan as of December 31, 2016.

The 2006 Stock Incentive Plan For Non-Employee Directors - This plan, adopted by the Company's stockholders in October, 2006, replaces the 1995 Stock Option Plan for Non-Employee Directors. The Company adopted the plan so that it could offer directors of the Company who are not employees of the Company or of any entity in which the Company has more than a 50% equity interest ("independent directors") an opportunity to participate in the ownership of the Company by receiving options to purchase shares of common stock at a price equal to the fair market value at the date of grant of the option and restricted stock awards. Awards for a maximum of 200,000 shares may be granted under this plan. A total of 5,000 options were outstanding under this plan as of December 31, 2016.

The 2010 *Long-term Stock Incentive Plan ("2010 Plan")* - This plan was adopted in April, 2010 with substantially the same terms and provisions as the 1999 Long-term Stock Incentive Plan. The maximum number of shares granted per type of award to any individual may not exceed 1,500,000 in any calendar year. Restricted stock grants and common stock awards reduce stock options otherwise available for future grant. Awards for a maximum of 7,500,000 shares may be granted under this plan. A total of 1,023,750 options and 250,000 restricted stock units were outstanding under this plan as of December 31, 2016.

Shares issued under our share-based compensation plans are usually issued from shares of our common stock held in the treasury.

Compensation cost related to non-qualified stock options recognized in operating results (selling, general and administrative expense) for 2016, 2015 and 2014 was $0.8 million, $0.2 million, and $0.7 million respectively, and of these amounts NATG segment's compensation cost related to non-qualified stock options was de minimis in 2016, 2015 and 2014. The related future income tax benefits recognized for 2016, 2015 and 2014 were $0.3 million, $0.1 million and $0.2 million, respectively.

Stock Options

The following table presents the weighted-average assumptions used to estimate the fair value of options granted in 2016, 2015 and 2014:

	2016	**2015**	**2014**
Expected annual dividend yield	0%	0%	0%
Risk-free interest rate	1.64%	1.73%	2.02%
Expected volatility	44.4%	40.2%	46.9%
Expected life in years	7.1	6.3	6.2

The following table summarizes information concerning outstanding and exercisable options:

	Weighted Average					
	2016		**2015**		**2014**	
	Shares	**Weighted Avg. Exercise Price**	**Shares**	**Weighted Avg. Exercise Price**	**Shares**	**Weighted Avg. Exercise Price**
Outstanding at beginning of year	954,625	$ 15.98	1,127,250	$ 16.12	1,175,499	$ 16.11
Granted	670,000	$ 8.43	25,000	$ 10.62	90,000	$ 13.56
Exercised	-	$ -	(4,000)	$ 6.30	(33,749)	$ 9.78
Cancelled or expired	(214,375)	$ 14.86	(193,625)	$ 16.29	(104,500)	$ 15.83
Outstanding at end of year	1,410,250	$ 12.57	954,625	$ 15.98	1,127,250	$ 16.12
Options exercisable at year end	750,250		832,125		839,500	
Weighted average fair value per option granted during the year	$ 3.94		$ 4.44		$ 6.46	

The total intrinsic value of options exercised was de minimis in 2016 and 2015 and $0.2 million for 2014.

The following table summarizes information about options vested and exercisable or nonvested that are expected to vest (nonvested outstanding less expected forfeitures) at December 31, 2016:

Range of Exercise Prices				Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in millions)
$ 5.00	to	$ 10.00		573,362	$ 8.54	9.23	$ 0.2
$ 10.01	to	$ 15.00		357,750	$ 13.04	3.17	-
$ 15.01	to	$ 20.00		290,000	$ 18.63	3.74	-
$ 20.01	to	$ 20.15		100,000	$ 20.15	.05	-
$ 5.00	to	$ 20.15		1,321,112	$ 12.85	5.69	$ 0.2

The aggregate intrinsic value in the tables above represents the total pretax intrinsic value (the difference between the closing stock price on the last day of trading in 2016 and the exercise price) that would have been received by the option holders had all options been exercised on December 31, 2016. This value will change based on the fair market value of the Company's common stock.

The following table reflects the activity for all unvested stock options during 2016:

	Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2016	122,500	$ 7.40
Granted	670,000	$ 3.94
Vested	(75,000)	$ 8.40
Forfeited	(57,500)	$ 4.43
Unvested at December 31, 2016	660,000	$ 4.02

At December 31, 2016, there was approximately $1.9 million of unrecognized compensation costs related to unvested stock options, which is expected to be recognized over a weighted average period of 3.37 years. The total fair value of stock options vested during 2016, 2015 and 2015 was $0.6 million, $1.1 million and $1.2 million, respectively.

Restricted Stock and Restricted Stock Units

In August 2010, the Company granted 175,000 RSUs under the 2010 Plan to a key employee who is also a Company director. These RSUs have none of the rights as other shares of common stock, other than rights to cash dividends, until common stock is distributed. This RSU award was a non-performance award which vests in ten equal annual installments of 17,500 units beginning May 15, 2011 and each May 15, thereafter. Compensation expense related to this RSU award was approximately $0.1 million in 2016 and approximately $0.2 million during each of 2015 and 2014.

In November 2011, the Company granted 100,000 RSUs under the 2010 Plan to a key employee who is also a Company director. This RSU award was a non-performance award which vests in ten equal annual installments of 10,000 units beginning November 14, 2012 and each November 14 thereafter. Compensation expense related to this RSU award was approximately $0.1 million in 2016 and approximately $0.2 million during each of 2015 and 2014.

In January 2012 and March 2012, the Company granted 50,000 RSUs under the 2010 Plan to each of two key employees. These RSU awards were non-performance awards which vest in ten equal annual installments of 10,000 units beginning January 3, 2013 and March 1, 2013, respectively, and each January 3 and March 1, thereafter. The termination without cause of one of these key employees during 2015 caused the accelerated vesting of the remaining 35,000 shares in accordance with the restricted stock agreement with the Company. Compensation expense related to the remaining RSU award was approximately $0.1 million in 2016, and combined compensation expense was approximately $0.4 million and $0.3 million during each of 2015 and 2014.

In July 2015, the Company granted 23,620 RSUs under the 2010 Plan to, at that time, a key employee. This RSU award was a non-performance award which was to vest in four equal annual installments of 5,905 units beginning July 6, 2015 and each July 6 thereafter. This key employee was terminated in the third quarter of 2016 and this award was forfeited. Compensation expense related to this RSU award was de minimis in 2016.

In February 2016, the Company granted 75,000 RSUs under the 2010 Plan to certain key employees, one of whom is also a Company director. The RSU awards were non-performance awards which vest in three annual installments beginning February 1, 2017. Compensation expense related to these RSU awards was $0.5 million during 2016.

Share-based compensation expense for restricted stock issued to Directors was $0.1 million in each of 2016, 2015 and 2014. All of the above share-based compensation expense is recognized in selling, general and administrative expense in 2016, 2015 and 2014.

10. INCOME TAXES

The components of income (loss) from continuing operations before income taxes are as follows (in millions):

	Year Ended December 31,		
	2016	2015	2014
United States	$ 15.9	$ (14.5)	$ 1.9
Foreign	(13.8)	(20.3)	(22.0)
Total	$ 2.1	$ (34.8)	$ (20.1)

The (benefit) provision for income taxes from continuing operations consists of the following (in millions):

	Year Ended December 31,		
	2016	2015	2014
Current:			
Federal	$ -	$ 3.1	$ 7.6
State	1.2	0.6	0.4
Foreign	4.4	4.3	3.2
Total current	5.6	8.0	11.2
Deferred:			
Federal	0.1	0.1	-
State	1.1	-	(0.3)
Foreign	3.2	5.4	1.0
Total deferred	4.4	5.5	0.7
TOTAL	$ 10.0	$ 13.5	$ 11.9

Tax benefit from discontinued operations was $0.0 million, $(3.3) million and $(7.0) million for the years ended December 31, 2016, 2015 and 2014, respectively. Income taxes are accrued and paid by each foreign entity in accordance with applicable local regulations.

A reconciliation of the difference between the income tax expense and the computed income tax expense based on the Federal statutory corporate rate is as follows (in millions):

	Year Ended December 31 ,					
	2016		2015		2014	
Income tax at Federal statutory rate	$ 0.7	(35.0)%	$ (12.2)	(35.0)%	$ (7.1)	(35.0)%
Foreign taxes at rates different from the U.S. rate	5.2	(247.6)	7.7	22.2	5.2	25.9
State and local income taxes, net of federal tax benefit	(0.6)	28.6	(1.4)	(3.9)	1.6	8.2
Impact of state rate changes	1.4	(66.7)	0.7	1.9	-	-
Changes in valuation allowances	2.8	(133.3)	18.8	54.2	12.4	61.5
Change in deferred tax liability	-	-	-	-	-	-
Non-deductible items	0.4	(19.0)	0.1	0.2	-	-
Other items, net	0.1	(4.8)	(0.2)	(0.8)	(0.2)	(1.1)
Income tax	$ 10.0	(477.8)%	$ 13.5	38.8%	$ 11.9	59.5%

The deferred tax assets and liabilities are comprised of the following (in millions):

	December 31, 2016	December 31, 2015
Assets:		
Accrued expenses and other liabilities	$ 12.2	$ 12.4
Inventory	1.5	5.6
Depreciation	0.6	0.8
Intangible & other	13.5	13.0
Net operating loss and credit carryforwards	66.4	57.4
Valuation allowances	(89.7)	(80.6)
Total non-current deferred tax assets	4.5	8.6
Liabilities :		
Non-current:		
Other	$ 0.5	$ 0.4
Total non-current liabilities	$ 0.5	$ 0.4

During the current year the Company recorded valuation allowances against deferred tax assets of approximately $9.1 million. These valuation allowances were recorded against U.S. federal deferred tax assets of approximately $4.5 million, foreign deferred tax assets of $5.6 million and state deferred tax asset valuation allowances of approximately $(1.0) million. These valuation allowances were recorded primarily as a result of the Company's belief that the deferred assets are not likely to be realized due to recent losses.

The Company has not provided for federal income taxes applicable to the undistributed earnings of its foreign subsidiaries of approximately $36.4 million as of December 31, 2016, since these earnings are considered indefinitely reinvested. The Company has gross foreign net operating loss carryforwards of $133.0 million which expire through 2032 and gross U.S. federal net operating loss carry forwards of $72.4 million which expire through 2036. The Company records these benefits as assets to the extent that utilization of such assets is more likely than not; otherwise, a valuation allowance has been recorded. The Company has also provided valuation allowances for certain state deferred tax assets and net operating loss carryforwards where it is not likely they will be realized.

As of December 31, 2016, the Company has approximately $1.6 million in federal tax credit carryforwards expiring in years through 2026 and various amounts of state and foreign net operating loss carryforwards expiring through 2036. The Company has recorded valuation allowances of approximately $89.7 million, including valuations against the federal and state deductibility of temporary differences including net operating losses of $48.1 million and $8.8 million respectively, foreign tax credits of $1.6 million and tax effected temporary differences and net operating loss carryforwards in foreign jurisdictions of $31.2 million.

The Company is routinely audited by federal, state and foreign tax authorities with respect to its income taxes. The Company regularly reviews and evaluates the likelihood of audit assessments. The Company's federal income tax returns have been audited through 2013. The Company has not signed any consent to extend the statute of limitations for any subsequent years. The Company's significant state tax returns have been audited through 2009. The Company considers its significant tax jurisdictions in foreign locations to be the United Kingdom, Canada, France, Hungary, Italy and the Netherlands. The Company remains subject to examination in the United Kingdom for years after 2013, in Canada for years after 2013, in France for years after 2012, in Italy for years after 2012 and in the Netherlands for years after 2008.

In accordance with the guidance for accounting for uncertainty in income taxes the Company recognizes the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefit of an uncertain tax position that meets the more-likely-than-not recognition threshold is measured as the largest amount that is greater than 50% likely to be realized upon settlement with the tax authority. To the extent we prevail in matters for which accruals have been established or are required to pay amounts in excess of accruals, our effective tax rate in a given financial statement period could be affected. As of December 31, 2016 the Company had no uncertain tax positions. Interest and penalties, if any, are recorded in income tax expense. There were no accrued interests or penalty charges related to unrecognized tax benefits recorded in income tax expense in 2016, 2015 or 2014.

11. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Leases - The Company is obligated under operating lease agreements for the rental of certain office and warehouse facilities and equipment which expire at various dates through August 2032. The Company currently leases its headquarters office/warehouse facility in New York from an entity owned by the Company's three principal shareholders and senior executive officers. The Company also acquires certain computer, communications equipment, and machinery and equipment pursuant to capital lease obligations.

At December 31, 2016, the future minimum annual lease payments for capital leases and related and third-party operating leases were as follows (in millions):

	Capital Leases	Operating Leases	Total
2017	0.1	$ 23.0	$ 23.1
2018	0.1	21.1	21.2
2019	-	20.0	20.0
2020	-	16.6	16.6
2021	-	12.2	12.2
2022-2026	-	44.2	44.2
2027-2031	-	19.8	19.8
Thereafter	-	1.8	1.8
Total minimum lease payments	0.2	158.7	158.9
Less: sublease rental income	-	10.9	10.9
Lease obligation net of subleases	0.2	$ 147.8	148.0
Less: amount representing interest	0.0		
Present value of minimum capital lease payments (including current portion of $0.2)	$ 0.2		

Annual rent expense aggregated approximately $17.7 million, $26.4 million and $31.5 million in 2016, 2015 and 2014, respectively. Included in rent expense was $0.9 million in 2016, $1.0 million in 2015, $0.9 million in 2014, to related parties. Rent expense is net of sublease income of $0.4 million for 2016, $0.1 million for 2015, and $0.0 million for 2014, respectively. NATG operations annual rent expense totaled approximately $1.3 million, $10.7 million and $18.3 million for 2016, 2015 and 2014, respectively.

The operating lease agreements generally provide for rental payments on a graduated basis and for options to renew, which could increase future minimum lease payments if exercised. The Company recognizes rent expense on a straight-line basis over the lease period and has accrued for rent expense incurred but not paid. Deferred rent represents the difference between actual operating lease payments due and straight-line rent expense. The excess is recorded as a deferred rent liability in the early periods of the lease, when cash payments are generally lower than straight-line rent expense, and are reduced in the later periods of the lease when payments begin to exceed the straight-line expense. The Company also accounts for leasehold improvement incentives within its deferred rent liability.

Other Matters

The Company and its subsidiaries are from time to time involved in various lawsuits, claims, investigations and proceedings which may include commercial, employment, customer, personal injury and health and safety law matters, as well as VAT tax disputes in European jurisdictions, and which are handled and defended in the ordinary course of business. In addition, the Company is from time to time subjected to various assertions, claims, proceedings and requests for damages and/or indemnification concerning intellectual property matters, including patent infringement suits involving technologies that are incorporated in a broad spectrum of products the Company sells or that are incorporated in the Company's e-commerce sales channels. The Company is also audited by (or has initiated voluntary disclosure agreements with) numerous governmental agencies in various countries, including U.S. Federal and state authorities, concerning potential income tax, sales tax and unclaimed property liabilities. These matters are in various stages of investigation, negotiation and/or litigation. The Company is also being audited by an entity representing 43 states seeking recovery of "unclaimed property". The Company is complying with the unclaimed property audit and is providing requested information. The Company intends to vigorously defend these matters and believes it has strong defenses.

Although the Company does not expect, based on currently available information, that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial position or results of operations, the ultimate outcome is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company regularly assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable and estimable. In this regard, the Company establishes accrual estimates for its various lawsuits, claims, investigations and proceedings when it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the loss can be reasonably estimated. At December 31, 2016 the Company has established accruals for certain of its various lawsuits, claims, investigations and proceedings based upon estimates of the most likely outcome in a range of loss or the minimum amounts in a range of loss if no amount within a range is a more likely estimate. The Company does not believe that at December 31, 2016 any reasonably possible losses in excess of the amounts accrued would be material to the financial statements.

Following the previously reported independent investigation of Gilbert Fiorentino and Carl Fiorentino by our Audit Committee in 2011 (in response to a whistleblower report) for a variety of improper acts, the subsequent termination of their employment and the entering into by Gilbert Fiorentino of a settlement agreement with the Securities and Exchange Commission, on November 20, 2014 the United States Attorney's Office ("USAO") for the Southern District of Florida announced that Gilbert Fiorentino and Carl Fiorentino had been charged with mail fraud, wire fraud and money laundering in connection with a scheme to defraud the Company. Specifically, the charges set forth a scheme to obtain kickbacks and other benefits, and to conceal this illicit income from the IRS, all while Gilbert Fiorentino and Carl Fiorentino were employed as senior executives at the Company's NATG business. On December 2, 2014, the United States Attorney's Office announced that Gilbert Fiorentino and Carl Fiorentino had pled guilty to various charges, and on March 3, 2015, Gilbert Fiorentino and Carl Fiorentino were sentenced to sixty and eighty months' imprisonment, respectively. Following completion of their sentences, each is to be placed on supervised release for a period of thirty-six months. On March 1, 2016, the United States District Court for the Southern District of Florida awarded the Company approximately $36 million in restitution from Gilbert and Carl Fiorentino, which the Company will utilize all available means to collect. Judgment liens have been established on certain property and assets of each of Gilbert and Carl Fiorentino. The Company is working with the USAO to obtain forfeiture proceeds from the sale of certain seized assets. During the third quarter of 2016 the Company received a partial restitution payment of approximately $1.3 million. The Company is also continuing to seek a civil judgment against Carl Fiorentino.

The Company's Audit Committee, with the assistance of independent outside counsel, cooperated with a request by the USAO that it assist the USAO's investigation into allegations arising from the Fiorentino investigation regarding possible executive officer conflicts of interest and internal controls and books and records violations. The Company's Audit Committee, along with the Audit Committee's independent outside counsel, conducted an investigation of the allegations and its counsel presented the Audit Committee's findings to the USAO in July 2015. The Company was advised that the Audit Committee investigation found no evidence of executive officer conflicts of interest, and no material evidence of internal controls violations or books and records violations. The Audit Committee considers its investigation to be closed at this time and the Company has been advised there has been no further contact from the USAO. Notwithstanding, it is not possible at this time to predict if or when the USAO will conclude its investigation; what subject(s) will be investigated; what actions, if any, may be taken by the government as a result of its investigation; or whether any of these matters will have a material adverse impact on the Company .

12. SEGMENT AND RELATED INFORMATION

Since the December 2015 sale of the NATG business, the Company has operated and is internally managed in two reportable business segments— Industrial Products Group ("IPG") and EMEA Technology Products Group ("EMEA"). Smaller business operations and corporate functions are aggregated and reported as the additional segment - Corporate and Other "Corporate".

On September 2, 2016 the Company sold certain assets of its Misco Germany operations which had been reported as part of its EMEA segment. As this disposition was not a strategic shift with a major impact as defined under ASU 2014-08 , prior and current year results of the German operations are presented within continuing operations in the Consolidated Financial Statements. For the year ended December 31, 2016, net sales of Misco Germany included in continuing operations were $33.9 million and the net loss, including approximately $3.7 million of intercompany charges, was $6.4 million. The Company recorded charges related to this transaction of approximately $1.7 million.

At December 31, 2016, the Company sold all of its issued and outstanding membership interests of its rebate processing business which had been reported as part of its Corporate segment. As this disposition was not a strategic shift with a major impact as defined under ASU 2014-08, prior and current year results of the rebate processing business are presented within continuing operations in the consolidated financial statements. For the year ended December 31, 2016, net sales of the rebate processing business included in continuing operations were $3.7 million and the net loss was $2.3 million. The Company recorded a gain of approximately $3.9 million on this sale.

The Company's chief operating decision-maker is the Company's Chief Executive Officer ("CEO"). The CEO, in his role as Chief Operating Decision Maker ("CODM"), evaluates segment performance based on operating income (loss) from continuing operations. The CODM reviews assets and makes significant capital expenditure decisions for the Company on a consolidated basis only. The accounting policies of the segments are the same as those of the Company. Corporate costs not identified with the disclosed segments are grouped as "Corporate and other expenses."

Financial information relating to the Company's continuing operations by reportable segment was as follows (in millions):

	Year Ended December 31,		
	2016	2015	2014
Net Sales:			
IPG	$ 715.6	$ 698.6	$ 556.0
EMEA	960.9	1,052.9	1,189.9
NATG	-	97.8	352.4
Corporate and other	3.6	5.4	5.9
Consolidated	$ 1,680.1	$ 1,854.7	$ 2,104.2
Depreciation and Amortization Expense:			
IPG	$ 3.6	$ 3.8	$ 2.1
EMEA	3.4	3.9	4.0
NATG	-	0.6	4.1
Corporate and other	0.9	1.0	1.3
Consolidated	$ 7.9	$ 9.3	$ 11.5
Operating Income (Loss):			
IPG	$ 34.3	$ 43.7	$ 41.0
EMEA	(12.5)	(10.8)	(21.2)
NATG	(2.8)	(38.2)	(17.9)
Corporate and other expenses	(14.9)	(18.8)	(15.6)
Consolidated	$ 4.1	$ (24.1)	$ (13.7)
Total Assets			
IPG	$ 201.5	$ 175.3	$ 135.5
EMEA	274.6	238.3	313.3
NATG	6.9	26.6	187.6
Corporate and other	83.1	269.9	260.5
Consolidated	$ 566.1	$ 710.1	$ 896.9

Financial information relating to the Company's operations by geographic area was as follows (in millions):

	Year Ended December 31,		
	2016	2015	2014
Net Sales:			
United States	$ 692.3	$ 676.8	$ 723.2
France	417.2	382.6	383.2
United Kingdom	241.8	335.7	471.9
Other Europe	301.9	334.5	334.8
Other North America	26.9	125.1	191.1
Consolidated	$ 1,680.1	$ 1,854.7	$ 2,104.2
Long-lived Assets:			
United States	$ 15.4	$ 18.1	$ 17.1
United Kingdom	10.4	15.6	17.5
France	1.0	1.1	0.8
Other Europe and Asia	2.7	3.5	5.5
Other North America	-	-	0.3
Consolidated	$ 29.5	$ 38.3	$ 41.2

Net sales are attributed to countries based on location of selling subsidiary.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data, excluding discontinued operations, is as follows (in millions, except for per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016:				
Net sales	$ 429.8	$ 420.8	$ 414.8	$ 414.7
Gross profit	$ 83.4	$ 81.5	$ 78.1	$ 81.7
Net loss	$ (1.1)	$ (2.0)	$ (5.5)	$ 0.7
Net loss per common share:				
Basic	$ (0.03)	$ (0.05)	$ (0.15)	$ 0.02
Diluted	$ (0.03)	$ (0.05)	$ (0.15)	$ 0.02
2015:				
Net sales	$ 512.1	$ 454.1	$ 423.2	$ 465.3
Gross profit	$ 86.5	$ 87.0	$ 82.3	$ 86.9
Net (loss) income	$ (18.6)	$ (19.9)	$ 1.8	$ (11.6)
Net (loss) income per common share:				
Basic	$ (0.50)	$ (0.54)	$ 0.05	$ (0.31)
Diluted	$ (0.50)	$ (0.54)	$ 0.05	$ (0.31)

SYSTEMAX INC.

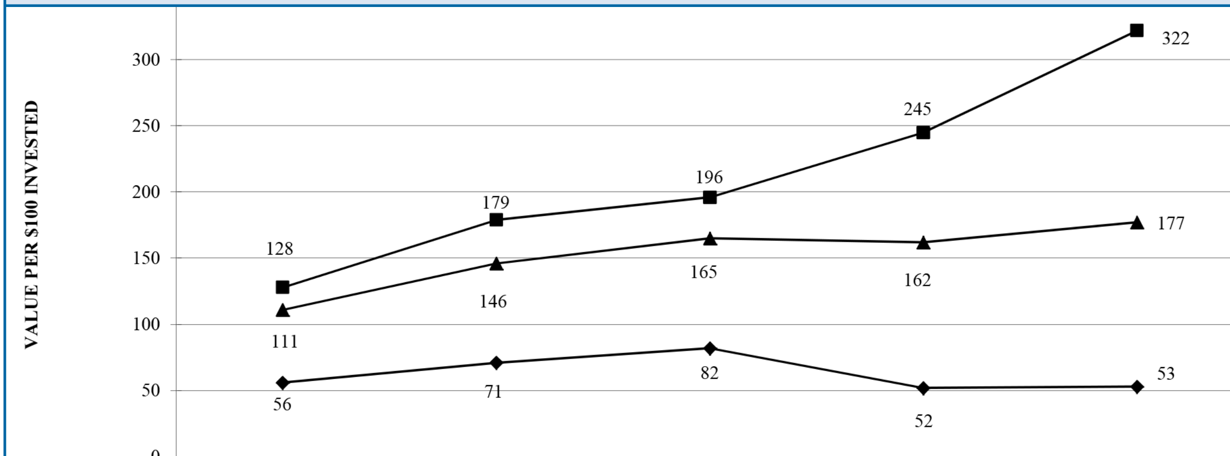
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the years ended December:
(in millions)

Description	Balance at Beginning of Period	Charged to Expenses	Write-offs	Other	Balance at End of Period
Allowance for doubtful accounts					
2016	$ 9.8	$ 4.6	$ (3.1)	$ -	$ 11.3[1]
2015	$ 6.5	$ 7.9	$ (4.8)	$ 0.2	$ 9.8
2014	$ 5.8	$ 8.9	$ (8.3)	$ 0.1	$ 6.5
Allowance for sales returns					
2016	$ 5.9	$ 2.4	$ -	$ (5.9) [2]	$ 2.4
2015	$ 9.3	$ 5.9	$ -	$ (9.3) [2]	$ 5.9
2014	$ 10.9	$ 9.3	$ -	$ (10.9) [2]	$ 9.3
Allowance for inventory returns					
2016	$ (4.9)	$ (1.6)	$ -	$ 4.9[2]	$ (1.6)
2015	$ (7.8)	$ (4.9)	$ -	$ 7.8[2]	$ (4.9)
2014	$ (9.2)	$ (7.8)	$ -	$ 9.2[2]	$ (7.8)
Allowance for deferred tax assets					
2016					
Noncurrent	$ 80.6	$ 9.4	$ (1.9)	$ 1.6	$ 89.7
2015					
Noncurrent	$ 48.8	$ 35.8	$ -	$ (4.0)	$ 80.6
2014					
Noncurrent	$ 39.7	$ 9.1	$ -	$ -	$ 48.8

(1)Excludes approximately $5.6 million of reserves related to notes receivable and tax refund receivables.
(2)Amounts represent gross revenue and cost reversals to the estimated sales returns and allowances accounts.

Stock Performance Graph



	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016
Systemax Inc.	56	71	82	52	53
S & P 500	111	146	165	162	177
S & P Retail Index	128	179	196	245	322

Systemax Inc. S & P 500 S & P Retail Index

Financial Summary

(In millions except Diluted Net Income Per Share)

	2012	2013	2014	2015	2016
Net sales from continuing operations	$1,961.2	$1,975.4	$2,104.2	$1,854.7	$1,680.1
Operating income (loss) from continuing operations	$ 8.2	$ (10.8)	$ (13.7)	$ (24.1)	$ 4.1
Net income from continuing operations	$ 17.8	$ 43.0	$ (32.0)	$ (48.3)	$ (7.9)
Diluted net income (loss) per share	$ 0.48	$ (1.16)	$ (0.86)	$ (1.30)	$ (0.21)

Forward-Looking Statements: Certain statements in this Annual Report constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include known and unknown risks, uncertainties and other factors as set forth within the Form 10K forming a part of this document.

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ANNUAL MEETING OF STOCKHOLDERS:
The 2017 Annual Meeting will be held on
Monday, June 5, 2017 at 12:00 p.m. at
Systemax Inc.
11 Harbor Park Drive
Port Washington, NY 11050

STOCK EXCHANGE:
The Company's shares are traded on the
New York Stock Exchange under the symbol SYX.

INDEPENDENT AUDITORS:
ERNST & YOUNG LLP
New York, NY

DIRECTORS

Richard Leeds
Executive Chairman

Bruce Leeds
Vice Chairman

Robert Leeds
Vice Chairman

Lawrence Reinhold
Chief Executive Officer and President

Robert D. Rosenthal
Chairman and Chief Executive Officer,
First Long Island Investors LLC

Stacy Dick
Chief Financial Officer
Julian Robertson Holdings

Marie Adler-Kravecas
Retired President of Myron Corporation

CORPORATE EXECUTIVE OFFICERS

Richard Leeds
Executive Chairman

Bruce Leeds
Vice Chairman

Robert Leeds
Vice Chairman

Lawrence Reinhold
Chief Executive Officer and President

Eric Lerner
Senior Vice President and General Counsel

Manoj Shetty
Senior Vice President and Chief Information Officer

Thomas Clark
Vice President and Chief Financial Officer

Thomas Axmacher
Vice President and Controller

SEGMENT EXECUTIVE MANAGEMENT

Robert Dooley
President, Industrial Products Group

Jaques Thefo
Executive Vice President and General Manager, France

Systemax Inc. Corporate Headquarters
11 Harbor Park Drive, Port Washington, NY 11050

Industrial Products Headquarters
11 Harbor Park Drive, Port Washington, NY 11050

European Technology Products Headquarters
Parc d'activité Paris Nord 2
125 avenue du Bois de la Pie
95921 Roissy en France Cedex

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2016 Annual Report