



DUTTON ASSOCIATES

INDEPENDENT RESEARCH

RESEARCH REPORT

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PFSweb Inc.

January 23, 2007

Symbol (Nasdaq)	PFSW	Fiscal Year Ending: December				
Industry:	Business & Support Services	Year	EPS	P/E	REVS	PSR
Recent Price:	\$1.03	2005 A	(\$0.03)	--- x	\$331.7	0.1 x
52-Week Price Range:	\$0.61 - \$1.87	2006 E	(\$0.26)	--- x	\$432.4	0.1 x
Target Price (12 Months)	\$2.00	2007 E	---	--- x	\$482.2	0.1 x
Avg. Daily Vol. (3 mo.):	554,423	2008 N/A	---	--- x	---	--- x
		2009 N/A	---	--- x	---	--- x

Balance Sheet Data (mil)	09/30/06	Ownership and Valuation (mil)	Current Rating History
Cash Equivalent:	\$15.2	Shares Outstanding:	46.5
Working Capital:	\$22.7	Inside Ownership:	2%
Long-Term Liabilities:	\$5.7	Institutional Ownership:	30%
Shareholders' Equity:	\$54.7	Equity Market Value:	\$47.9
		Date Assigned:	1/10/06
		Price at Rating:	\$1.40
		Original Price Target:	\$3.00
		Time Frame:	12 Months

Note 1: 2005 results do not include eCOST that was acquired February 2006.

Update Report

Rating: Strong Speculative Buy

Company Overview and Summary

PFSweb Inc. is a global provider of integrated business process outsourcing (BPO) solutions. On February 1, 2006, the Company acquired eCOST Inc., an online retailer, for an exchange of shares. The acquisition offers the potential to accelerate growth but comes with the risk of a need to make the operation profitable. To date, the integration of eCOST into PFSweb has been more challenging than we expected. Through September 30, 2006, PFSweb had to advance \$10.0 million to eCOST. Because of these near-term uncertainties, the stock has pulled back and we believe it is sharply undervalued. However, earlier this year we did reduce our 12-month target to \$2.00 from \$3.00. We are concerned that until eCOST is approaching profitability, or investors are confident that eCOST will be profitable shortly, the shares could stay depressed. We have a **Strong Speculative Buy** rating on the shares.

February 2006 Acquisition of eCOST

On February 1, 2006, the Company completed the acquisition of eCOST Inc., an online retailer, for an exchange of shares. eCOST is an online discount retailer of new, "close-out" and refurbished brand-name merchandise for consumers and small business buyers. It offers approximately 100,000 products in 12 merchandise categories, including computer hardware and software, home electronics, digital imaging, watches and jewelry, house wares, DVD movies, video games, travel, bed and bath, apparel and accessories, licensed sports gear and cellular/wireless. The Company was formed in 1999 and is headquartered in California. Products are from companies such as Apple, Canon, Sony, Hewlett-Packard (HP), Nikon, Onkyo and Toshiba, with online and direct marketing campaigns. HP has been a key contributor to eCOST sales with HP products contributing over 30% of revenues. eCOST was a subsidiary of PC Mall, which sold 19.8% of eCOST in an initial public offering that was completed September 1, 2004. PC Mall distributed its remaining eCOST shares to PC Mall stockholders on April 12, 2005. We like the concept of the merger, with the key attraction being the eCOST customer base (over 1 million). The synergism is with PFSweb's customer fulfillment services, including strong call center, distribution and technological capabilities. The risk is that eCOST is in a very competitive industry and is losing

money. For the merger to be a positive development for PFSweb shareholders, the losses must be curtailed quickly, in our opinion.

Valuation

We are concerned that investors will not place a premium on PFSweb's shares until they see success in making eCOST profitable. However, we do consider the shares sharply undervalued at current levels. At PFSweb's stock's recent price in the area of \$1.20, the Company has a market value of about \$56 million ($\1.20×46.5 million shares). With our target price of \$2.00, the market capitalization of the Company would be in the area of \$93 million.

Recent Results

Table 1. Condensed Consolidated Statement of Operations
(U.S. dollars in thousands, unaudited)

	Three Months Ended September 30			Nine Months Ended September 30		
	2006	2005	% Change	2006	2005	% Change
Revenues						
Product revenue, net	\$72,593	\$62,284	16.6%	\$252,447	\$189,352	33.3%
Service fee revenues	15,553	14,891	4.4%	47,681	45,274	5.3%
Pass-through revenue	6,138	4,317	42.2%	14,128	13,601	3.9%
Total revenues	\$94,284	\$81,492	15.7%	\$314,256	\$248,227	26.6%
Cost of revenue						
Cost of product revenue	\$66,889	\$57,401	16.5%	\$235,698	\$176,651	33.4%
Cost service fee revenue	11,768	10,990	7.1%	34,513	33,860	1.9%
Pass-through cost of revenue	6,138	4,317	42.2%	14,128	13,601	3.9%
Total costs of revenue	\$84,795	\$72,708	16.6%	\$284,339	\$224,112	26.9%
Gross profit	\$9,489	\$8,784	8.0%	\$29,917	\$24,115	24.1%
Selling general and administrative expenses	\$11,124	\$8,439	31.8%	\$33,552	\$23,343	43.7%
Stock based compensation	\$206	\$2	N.A.	\$686	\$16	N.A.
Merger integration expense	\$486	\$0	N.A.	\$1,129	\$0	N.A.
Amortization of identifiable intangibles	\$204	\$0	N.A.	\$545	\$0	N.A.
Total operating expenses	\$12,020	\$8,441	42.4%	\$35,912	\$23,359	53.7%
Income (loss) from operations	-\$2,531	\$343	-837.9%	-\$5,995	\$756	-893.0%
Interest expense net	\$557	\$532	4.7%	\$1,505	\$1,325	13.6%
Income (loss) before income taxes	-3,088	-189	1533.9%	-7,500	-569	1218.1%
Income tax provision	221	264	-16.3%	580	644	-9.9%
Net income (loss)	-\$3,309	-\$453	630.5%	-\$8,080	-\$1,213	566.1%
Net income (loss) per share						
Basic	-\$0.07	-\$0.02	253.6%	-\$0.19	-\$0.05	258.2%
Diluted	-\$0.07	-\$0.02	253.6%	-\$0.19	-\$0.05	258.2%
Weighted average number of shares						
Basic	46,449	22,488	106.6%	41,557	22,349	85.9%
Diluted	46,449	22,488	106.6%	41,557	22,349	85.9%
Margin Analysis						
Cost of product revenue	92.1%	92.2%		93.4%	93.3%	
Cost of service fee revenue	75.7%	73.8%		72.4%	74.8%	
Gross Margin	10.1%	10.8%		9.5%	9.7%	
SG&A as a percent of revenues	11.8%	10.4%		10.7%	9.4%	
Effective tax rate	-7.2%	-139.7%		-7.7%	-113.2%	
Net margin	-3.5%	-0.6%		-2.6%	-0.5%	

Source: PFSweb financial documents

PFSweb Reported Mixed Results For Its September 2006 Quarter

PFSweb reported mixed results for its third quarter, ended September 30, 2006. Its traditional customer fulfillment services business reported fair results, but losses at eCOST were worse than we had estimated.

Third Quarter 2006 (September) versus September 2005

- Total reported revenues were \$94.3 million, compared to the \$81.5 million originally reported for the September 2005 quarter, but down \$25.4 million from the \$119.7 million PFSweb would show on a pro forma basis with eCOST included in the year-ago period.
- Service Fee revenue was \$15.6 million, compared to \$14.9 million. Our estimate was \$17 million. We attribute the shortfall to fewer special projects in this year's quarter.
- Supplies Distributors revenue was \$55.9 million compared to \$62.3 million. Our estimate was \$62.0 million.
- Revenue from eCOST.com was \$16.7 million compared to \$38.2 million. Our estimate was \$25 million. We had estimated only a modest decline from the June 2006 quarter when eCOST reported \$28.8 million in revenues. Part of the revenue decline at eCOST can be attributed to a decision by management to be less aggressive in price-cutting to attract new clients. The reported gross margin on the eCOST business was about 2%. However, management stated that the gross profit margin would have been closer to 7.5% if it had not been hurt by the credit card chargeback's.
- Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) was \$ (0.7) million versus \$1.9 million.
- Excluding eCOST.com's operations, EBITDA for PFSweb's traditional business was \$3.0 million, an increase of \$1.0 million over the same period last year.
- Net loss for the 2006 third quarter was \$3.3 million, or \$0.07 per basic and diluted share, compared to a net loss of \$0.5 million, or \$0.02 per basic and diluted share for the prior year's period.
- Excluding eCOST.com, net income for the PFS Service Fee and Supplies Distributors businesses was \$0.6 million, an increase of \$1.1 million.
- Net loss for eCOST.com for the period was \$3.9 million. Excluding \$1.2 million applicable to fraudulent credit card activity and \$0.5 million applicable to integration-related expenses, eCOST.com's net loss was \$2.2 million for the third quarter. This was an improvement of approximately \$1.0 million as compared to a similarly adjusted net loss result for the June 2006 period, which reflected \$0.4 million of integration costs and \$0.7 million of excess fraudulent credit card activity.
- Operating expenses in the three-month period ended September 30, 2006 included \$0.2 million of costs applicable to stock-based compensation, which were zero in the prior year.
- During the year to date, PFSW signed new services contracts, including the expansion of existing client relationships, with estimated annual service fees of approximately \$12 million upon full implementation, based on current client projections.

Nine Months Ended September 30, 2006 Compared with September 30, 2005

Product revenue for the nine months was \$252.4 million compared to \$189.4 million, an increase of 33.3%. Excluding the \$67.2 million of product revenue of eCOST following its acquisition in February 2006, revenue decreased \$4.2 million, or 2.2%, primarily due to lower volumes and reduced client promotional activity.

Cost of product revenue, as a percent of product revenue, excluding the impact of eCOST, was 92.5% during the period, compared with 93.3% during the nine months ended September 30, 2005.

Service fees were \$47.7 million and \$45.3 million, respectively, an increase of 5.3%.

eCOST's cost of product revenue, as a percentage of product revenue was 95.9%. The resulting gross margin for eCOST was 4.1% during the period. The decline was attributed to unusually high levels of fraudulent credit card activity that

resulted in approximately \$1.9 million in higher than normal charge backs, an increased provision for excess and obsolete inventory, and the impact of a \$0.4 million loss applicable to a sales transaction to a former eCOST customer during the nine months ended September 30, 2006.

Service fees were \$47.7 million and \$45.3 million, respectively, an increase of 5.3%. Cost of service fee revenue was \$34.5 million compared to \$33.9 million, an increase of 1.9%. The resulting service fee gross profit margin was 27.6% of service fee revenue as compared to 25.2% of service fee revenue for the nine months ended September 30, 2005. The gross profit as a percent of service fees increase was attributed to higher gross margins on certain client project revenue as well as the prior year having lower gross margins on certain new contracts, including related start-up costs.

Operating expenses were \$35.9 million or 11.4% of total net revenues, as compared to 9.4% of total net revenues. Excluding \$13.2 million of operating expenses of eCOST following its acquisition in February 2006, operating expenses were \$22.8 million or 9.2% of total net revenues, representing a decline year over year.

Operating expenses in the nine-month period ended September 30, 2006 included \$0.7 million, of costs applicable to stock-based compensation, which were zero in the prior year.

Fourth Quarter and Full Year Outlook

With the third quarter results coming in below our estimate, we reduced our fourth-quarter revenue and earnings expectations (see Dutton Associates Research Note of November 2006). Since the initial note on the third quarter, we have done additional analysis. Our December estimate is now a loss of \$0.06 per share, bringing the losses for the full year to a negative \$0.25. Our fourth-quarter revenue estimate is \$118 million, bringing the full year to \$432 million. We are projecting a fourth quarter sales improvement (up sequentially but still down year over year) that includes an assumption of sharply better results at eCOST with revenues of \$35 million. **Note: Management has not provided any financial guidance for the final quarter of 2006 relative to total revenues or possible earnings or losses for PFSweb's traditional business or for eCOST.** Management did issue a press release stating that eCOST had favorable sales of consumer electronic devices early in the holiday shopping (press release dated December 11, 2006). Products highlighted in the press release included notebook computers, digital cameras, high definition televisions and flat panel displays.

2007 Outlook

The key challenge for the Company remains how quickly the losses at eCOST can be contained. In a conference call with investors after reporting third-quarter results, management stated that eCOST has been showing improved results on a sequential basis in recent months. In addition, management indicated that PFSweb was on track in achieving target expense reductions. Consequently, we expect to see lower losses in the December quarter, especially if we see the typical jump in revenues relating to holiday sales.

Progress made at eCOST to date includes the following:

- The headquarters was relocated, which is expected to reduce costs by \$20,000 per month.
- The warehousing and fulfillment part of the business has been moved to an existing PFSweb warehouse in Memphis.
- The migration to PFSweb's ERP system has been done (i.e., reduce credit card charge-backs).
- Four virtual warehouse clients were added. In a virtual warehouse, PFSweb displays the customer's products on its site, but the merchandise remains with the clients. The client ships sold items directly to customers. PFSweb collects a fee for having the product on its site but does not do the customer fulfillment or have the expense and risk of owning the inventory. Consequently, we see this as being very attractive business for eCOST.
- Reduced the downtime for the eCOST.com website.

- Increased the number of products that are properly merchandised.
- Implemented automated pricing modules to aid in improving gross margins.
- Invested in an operation in Manila for a 40-seat call center.
- Started development on a more aggressive marketing plan to use both on-line and off-line marketing to attract new customers.

Areas Targeted For Savings At eCOST Include The Following:

- Reduction of public company costs at eCOST (estimated at \$1.5 to \$2.0 million annually).
- Better asset utilization between the two companies, such as combining technology and telecommunications on the PFSweb platform, providing a savings estimated at \$0.5 million annually.
- Merge freight options at eCOST with the PFSweb technology to reduce eCOST's shipping costs, with savings estimated at \$2.0 million annually. eCOST typically charged customers \$1.99 to ship, but had to pay a much higher rate. PFSweb completed the transition of eCOST historical system to PFSweb's this past July.

**Table 2. eCOST
Selected Quarterly Financial Data (unaudited)**

	2006 September	2006 June	2006 March**	2005 December	2005 September	2005 June	2005 March
Revenues (thousands)	\$16,676	\$28,783	\$21,789	\$40,501	\$38,186	\$41,048	\$55,056
Net Income (loss) (thousands)*	-\$3,934	-\$4,293	-\$2,166	-\$4,857	-\$2,358	-\$2,957	-\$2,872
Total customers	1,615,730	1,581,606	1,505,831	n.a.	1,343,989	1,287,321	1,212,119
Active customers	326,530	351,157	393,512	n.a.	507,029	536,172	521,999
New customers	34,124	70,590	68,664	n.a.	56,668	75,202	123,783
Number of orders	51,922	89,898	98,586	n.a.	102,022	122,753	190,642
Average order value	\$361	\$340	\$384	n.a.	\$389	\$352	\$302
Advertising expense	\$436,000	\$986,293	\$1,330,251	n.a.	\$1,307,000	\$1,467,000	\$2,010,000
Cost to acquire a new customer	\$12.78	\$13.97	\$19.37	n.a.	\$23.06	\$19.51	\$16.24

* Net income (loss) before taxes and interest

** Acquired February 1, 2006 so revenue and income data for March quarter is for two months

Source: PFSweb SEC form 10-Qs (2006) and eCOST SEC form 8Ks (2005)

The sales pipeline for the traditional PFSweb Service Fee business is approximately \$30 million, which should result in favorable growth for this business going forward. Through September, the Company had signed \$12 million in new business. Our estimate of \$73.0 million in Service Fee business versus \$64.6 estimated for 2006 is driven by the \$12 million in new business offset by modest loss of some clients over the next year.

We expect the Product Sales group to report sales and gross profits slightly above 2006 for 2007. This is a relatively mature business for PFSweb and has not shown meaningful sales growth in recent years. Gross profit margins are expected to be similar to those of 2006.

We are estimating revenues for the eCOST business at \$140 million for 2007, compared with our estimated \$102.2 million for 2006. Part of the reason for the negative sales comparisons at eCOST has been a reduction in client acquisition expenditures. Traditionally, eCOST has acquired new clients by posting the lowest prices for selected items on search engines. When a consumer searched for the lowest price on a particular item, they would be connected to the eCOST site. Unfortunately, eCOST had minimal success in getting these customers to return for additional purchases (return rate was

only 1.1 times), so PFSweb curtailed these aggressive prices while attempting to develop a new approach to winning customers for multiple purchases.

Our consolidated revenue estimate for PFSweb is \$482 million for 2007 versus estimated revenues of \$432 million for 2006.

Expenses

Management believes that the merger integration was far enough along at the beginning of the fourth quarter of 2006 (October) that they will begin to reap part of the targeted \$4.0 million to \$5.0 million in annual savings they believe is possible with completion of the merger integration. Consequently, we should be near the full savings rate for most of 2007. The improvement will show in lower cost of sales and in lower SG&A expenses. Management's gross margin goal for eCOST is 9% versus the 7.5% achieved in the September 2006 (excluding non-ongoing items). We believe additional cuts are possible. In our model, we basically took the expected cost reduction out of SG&A rather than COGS for eCOST. Another prospect for reduced expenses next year is an expectation that we will not see additional merger expenses, which were estimated at \$1.5 million for 2006. We are assuming stock-based compensation and amortization of intangibles will continue at the same rates as our estimated 2006 levels.

Interest Expense

Our 2007 estimate assumes interest costs will increase by about 20% for PFSweb alone because of higher interest rates.

Taxes

We anticipate that the Company will continue to record an income tax provision associated with Supplies Distributors' Canadian and European results of operations similar to recent trends.

Share Count

We are using 46.5 million shares for 2007, similar to the level we estimate for year-end 2006. We do have some risk that the Company will need to do an additional financing if our earnings targets are not met. Our estimate assumes modest losses for the first two quarters, breakeven in the September quarter and profitability in the December 2007 quarter.

Longer Term

We estimate that for the merger to be earnings-neutral (with current eCOST revenues) for PFSweb, \$8 million needs to come out of expenses at eCOST. The \$4 million in cost savings divided by 46.5 million shares is slightly less than \$0.09 per share. The cost reductions we expect management to achieve in 2007 are the basis for most of our earnings estimate improvement for 2007.

Balance Sheet

The acquisition of eCOST has reduced the financial flexibility of the Company. Through September 30, 2006, PFSweb advanced \$10.1 million to eCOST to fund its cash-flow requirements. In early June, PFSweb announced that it sold in a private placement an aggregate of 5,000,000 shares of its Common Stock at \$1.00 per share. PFSweb had 41.5 million shares outstanding at March 31, 2006, so the sale represented a 12% dilution. The deal was done at a slight discount to the market price. Net cash provided by financing activities was approximately \$7.7 million for the nine months ended September 30, 2006, primarily representing \$4.9 million of net proceeds on issuance of common stock pursuant to a private placement transaction, \$3.4 million of proceeds on debt and \$0.6 million decrease in restricted cash, partially offset by \$1.1 million of payments on capital leases.

Table 3. Balance Sheets
(Dollars in thousands, except per share data)

	30-Sep 2006	31-Dec 2005
Assets:		
Current assets:		
Cash and cash equivalents	\$14,068	\$13,683
Restricted cash	\$1,224	\$2,077
Accounts receivable, net of allowance for doubtful accounts	\$46,535	\$44,556
Inventories, net	\$53,409	\$43,654
Other receivables	\$8,946	\$9,866
Prepaid expenses and other	<u>\$4,297</u>	<u>\$3,213</u>
Total current assets	\$128,479	\$117,049
Property and equipment, net	\$12,709	\$13,040
Restricted cash	\$0	\$150
Identifiable intangibles	\$7,112	\$0
Goodwill	\$18,345	\$0
Other assets	<u>\$760</u>	<u>\$1,487</u>
Total assets	\$167,405	\$131,726
Liabilities and Stockholders' equity		
Current liabilities		
Current portion of LT debt and leases	\$25,872	\$21,626
Accounts payable	\$61,252	\$60,053
Accrued expenses	<u>\$18,572</u>	<u>\$12,011</u>
Total current liabilities	\$105,696	\$93,690
LT Debt and capital lease obligations		
less current portions	\$5,660	\$6,289
Other Liabilities	\$1,310	\$1,813
Stockholders' equity		
Common stock \$0.001 par value; 75,000,000 authorized; 46,539,077 and 22,613,314 shares issued at Sept. 30, 2006 and December 31, 2005 respectively	\$47	\$23
Additional paid in capital	\$91,076	\$58,736
Accumulated deficit	-\$37,904	-\$29,824
Accumulated other comprehensive income	\$1,605	\$1,084
Treasury stock	<u>-\$85</u>	<u>-\$85</u>
Total Stockholders' equity	<u>\$54,739</u>	<u>\$29,934</u>
Total Liabilities and Stockholders' equity	\$167,405	\$131,726

Source: PFSweb financial statements

Table 4. Annual Data
(Dollars in thousands, except per share data)
Years ending in December

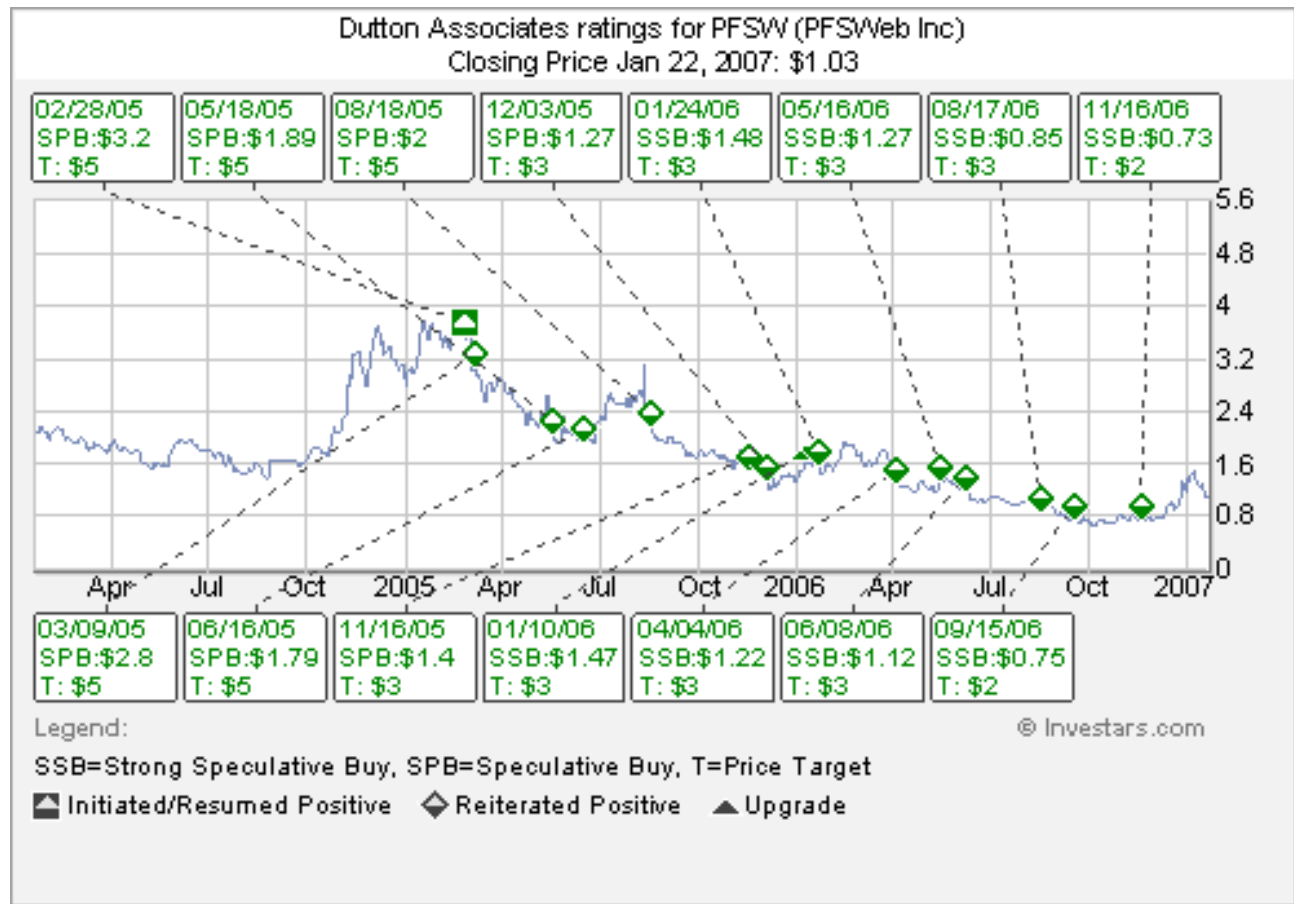
	2007 E	2006 E	2005	2004	2003	2002
PFSweb revenues						
Product revenue, net	\$254,000	\$245,199	\$252,902	\$267,470	\$249,230	\$57,492
Service fee revenue	73,000	64,681	60,783	42,076	33,771	35,825
Pass through revenue	15,240	20,266	17,972	12,119	3,435	3,692
Total revenues (PFS traditional)	\$342,240	\$330,146	\$331,657	\$321,665	\$286,436	\$97,009
PFSweb cost of revenues						
Cost of product revenue	\$ 236,220	\$ 227,019	\$ 235,584	\$ 251,968	\$ 235,317	\$ 54,343
Cost of net service fee revenue	52,010	46,892	45,597	28,067	23,159	22,660
Cost of pass through revenue	15,240	20,266	17,972	12,119	3,435	3,692
Total cost of revenue	303,470	294,177	299,153	292,154	261,911	80,695
PFSweb Gross profit (traditional)	38,770	35,969	32,504	29,511	24,525	16,314
eCOST						
eCost revenue	\$ 140,000	\$ 102,248				
eCost cost of revenue	\$ 129,775	\$ 97,071				
eCOST gross profit	10,225	5,177				
PFSweb and eCOST combined revenues	482,240	432,394				
PFSweb and eCOST combined gross profit	48,995	41,146	32,504	29,511	24,525	16,314
SG&A Expenses	44,000	47,140	30,521	27,091	25,699	27,012
Stock based compensation	1,200	1,285				
merger integration expense		1,529				
Amortization of intangibles	816	408				
Severance and other termination costs	-	-	-	-	-	1,213
Asset and lease impairment	-	-	-	-	-	922
Other	-	-	-	-	-	-
Total expenses	46,016	50,362	30,521	27,091	25,699	29,147
Income (loss) from Operations	2,979	(9,216)	1,983	2,420	(1,174)	(12,833)
Equity in earnings of affiliate	-	-	-	-	-	1,163
Interest Expense Net	2,400	2,080	1,729	1,460	2,000	(161)
Income (loss) before income taxes	579	(11,296)	254	960	(3,174)	(11,509)
Income tax provision	600	805	1,001	734	572	94
Income (Loss) before extraordinary item	(21)	(12,101)	(747)	226	(3,746)	(11,603)
Extraordinary item (gain on purchase)*	-	-	-	-	-	203
Net Income (loss)	(21)	(12,101)	(747)	226	(3,746)	(11,400)
Net income (loss) per share						
Basic before extraordinary	\$0.00	-\$0.26	-\$0.03	\$0.01	-\$0.20	-\$0.63
Extraordinary item	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01
Diluted before extraordinary	\$0.00	-\$0.26	-\$0.03	\$0.01	-\$0.20	-\$0.63
Weighted average number of shares						
Basic (thousands)	46,500	46,500	22,394	21,332	19,011	18,229
Diluted (thousands)	46,500	46,500	22,394	23,468	19,011	18,229
*gain on the purchase of 51% of Supplies Distributors						
Margin Analysis						
Cost of product revenue	93.0%	92.6%	93.2%	94.2%	94.4%	94.5%
Cost of net service fee revenue	71.2%	72.5%	75.0%	66.7%	68.6%	63.3%
Gross Margin	11.3%	10.9%	9.8%	9.2%	8.6%	16.8%
eCOST cost of revenue	92.7%	94.9%				
SG&A as a percent of revenues	9.1%	10.9%	9.2%	8.4%	9.0%	27.8%
Effective tax rate	103.6%	-7.1%	394.1%	76.5%	-18.0%	-0.8%
Net margin	0.0%	-3.7%	-0.2%	0.1%	-1.3%	-11.8%

Source: PFSweb financial statements, and Dutton Associates estimates

Public Companies Mentioned in This Report and Not Priced Elsewhere Include the Following:

Apple (AAPL- \$96.31 - NASDAQ)
Canon (CAJ - \$54.48 - NYSE)
Sony (SNE - \$45.89 - NYSE)
Hewlett-Packard (HPQ - \$42.41 - NYSE)
Nikon (NINOF.PK - \$20.75 - NASDAQ)
PC Mall (MALL- \$11.47 - NASDAQ)
Toshiba (TOSBF.PK -\$6.83 - NASDAQ)

Source: Yahoo finance, stocks priced January 11, 2007



Dutton Associates	
Current Ratings Distribution	
Rating	% Total
Not rated	0.7
Strong Buy	11.97
Buy	8.45
Strong Speculative Buy	32.39
Speculative Buy	26.76
Neutral	17.61
Avoid	2.11

Analyst: David P. Soetebier, CFA

David P. Soetebier, CFA was Vice President, Senior Industry Analyst, Bank of America Capital Management where he was responsible for fundamental analysis of large and medium capitalization stocks in technology. He covered all areas of technology for Bank of America (i.e., semiconductors, computer hardware, software, data and telecommunications). Previously, he was Vice President, Senior Industry Analyst at A.G. Edwards and Sons Inc.. At A.G. Edwards, his sector coverage included all areas of technology. He is a graduate of the University of Missouri at Columbia with a BS in Finance. He holds a CFA designation and is a licensed Supervisory Analyst.

Analyst Certification:

I, David P. Soetebier, CFA hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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