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

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2003

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 0-23827

PC CONNECTION, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**02-0513618**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
730 MILFORD ROAD, MERRIMACK, NEW HAMPSHIRE	**03054**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code **(603) 423-2000**

Indicate by check mark (**ü**) 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 __ü__ NO ______

Indicate by check mark (**ü**) whether the registrant is an accelerated filer as defined in Rule 12b-2 of the Securities and Exchange Act of 1934, as amended.

YES ______ NO __ü__

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of the issuer's Common Stock, $.01 par value, as of September 30, 2003 was 24,763,001.

PC CONNECTION, INC. AND SUBSIDIARIES
FORM 10-Q

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
PC Connection, Inc.
Merrimack, New Hampshire

We have reviewed the accompanying condensed consolidated balance sheet of PC Connection, Inc. and subsidiaries (the "Company") as of September 30, 2003, and the related condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2003 and 2002, and the condensed consolidated statement of changes in stockholders' equity for the nine-month period ended September 30, 2003, and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of PC Connection, Inc. and subsidiaries as of December 31, 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 30, 2003 we expressed an unqualified opinion on those consolidated financial statements, and included an explanatory paragraph relating to the change in fiscal 2002 in the method of accounting for goodwill and intangible assets. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP
Boston, Massachusetts
November 20, 2003

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PC CONNECTION, INC. AND SUBSIDIARIES
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Item 1 - Financial Statements
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands)

	September 30, 2003 (unaudited)	December 31, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 9,739**	$ 1,797
Restricted cash	**—**	5,000
Accounts receivable, net	**145,305**	135,314
Inventories—merchandise	**72,474**	52,479
Deferred income taxes	**1,625**	741
Income taxes receivable	**618**	1,294
Prepaid expenses and other current assets	**3,704**	3,278
Total current assets	**233,465**	199,903
Property and equipment, net	**21,620**	25,995
Goodwill, net	**33,672**	33,704
Other intangibles, net	**3,481**	3,746
Restricted cash	**5,000**	5,000
Other assets	**187**	334
Total assets	**$ 297,425**	$ 268,682
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of capital lease obligation to affiliate	**$ 306**	$ 200
Accounts payable	**118,303**	85,493
Accrued expenses and other liabilities	**14,165**	12,121
Acquisition earn-out obligation	**—**	10,800
Total current liabilities	**132,774**	108,614
Capital lease obligation to affiliate, less current maturities	**6,175**	6,421
Deferred income taxes	**2,520**	3,503
Total liabilities	**141,469**	118,538
Stockholders' Equity:		
Common stock	**251**	250
Additional paid-in capital	**75,927**	75,274
Retained earnings	**82,064**	76,906
Treasury stock at cost	**(2,286)**	(2,286)
Total stockholders' equity	**155,956**	150,144
Total liabilities and stockholders' equity	**$ 297,425**	$ 268,682

See accompanying notes to condensed consolidated financial statements.

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PC CONNECTION, INC. AND SUBSIDIARIES
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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net sales	**$ 349,420**	$ 341,039	**$ 954,515**	$ 869,347
Cost of sales	**313,494**	303,869	**853,157**	775,903
Gross profit	**35,926**	37,170	**101,358**	93,444
Selling, general and administrative expenses	**32,059**	32,625	**91,716**	90,712
Restructuring costs and other special charges	—	718	**397**	1,636
Income from operations	**3,867**	3,827	**9,245**	1,096
Interest expense	**(270)**	(297)	**(849)**	(835)
Other, net	**27**	94	**125**	421
Income before taxes	**3,624**	3,624	**8,521**	682
Income tax provision	**(1,444)**	(1,418)	**(3,363)**	(299)
Net income	**$ 2,180**	$ 2,206	**$ 5,158**	$ 383
Weighted average common shares outstanding:				
Basic	**24,741**	24,533	**24,686**	24,546
Diluted	**25,322**	24,789	**25,058**	24,848
Earnings per common share:				
Basic	**$ .09**	$ .09	**$ .21**	$ .02
Diluted	**$ .09**	$ .09	**$ .21**	$ .02

See accompanying notes to condensed consolidated financial statements.

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PC CONNECTION, INC. AND SUBSIDIARIES
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Nine Months Ended September 30, 2003
(Unaudited)
(amounts in thousands)

	Common Stock		Additional Paid In Capital	Retained Earnings	Treasury Shares		Total
	Shares	Amount			Shares	Amount	
Balance - December 31, 2002	24,997	$ 250	$ 75,274	$ 76,906	(362)	$ (2,286)	$ 150,144
Exercise of stock options, including income tax benefits	78	—	442	—	—	—	442
Issuance of stock under employee stock purchase plan	50	1	211	—	—	—	212
Net income	—	—	—	5,158	—	—	5,158
Balance - September 30, 2003	25,125	$ 251	$ 75,927	$ 82,064	(362)	$ (2,286)	$ 155,956

See accompanying notes to condensed consolidated financial statements.

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PC CONNECTION, INC. AND SUBSIDIARIES
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C ONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(amounts in thousands)

	Nine Months Ended September 30,	
	2003	2002
Cash Flows from Operating Activities:		
Net income	**$ 5,158**	$ 383
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**6,500**	5,997
Deferred income taxes	**(1,867)**	(524)
Provision for doubtful accounts	**2,323**	5,838
Gain on disposal of fixed assets	**(1)**	—
Changes in assets and liabilities:		
Accounts receivable	**(12,314)**	(12,392)
Inventories	**(19,995)**	5,000
Prepaid expenses and other current assets	**250**	(865)
Other non-current assets	**147**	(95)
Accounts payable	**32,810**	12,845
Income tax benefits from exercise of stock options	**152**	118
Accrued expenses and other liabilities	**2,123**	378
Net cash provided by operating activities	**15,286**	16,683
Cash Flows from Investing Activities:		
Purchases of property and equipment	**(1,907)**	(4,428)
Proceeds from sale of property and equipment	**1**	16
Payment of acquisition earn-out obligation	**(10,800)**	—
Decrease in restricted cash	**5,000**	—
Payments for acquisition, net of cash acquired	—	(22,585)
Cash escrow funded for acquisition	—	(10,000)
Net cash used for investing activities	**(7,706)**	(36,997)
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	**109,333**	19,568
Repayment of short-term borrowings	**(109,333)**	(19,568)
Repayment of capital lease obligation to affiliate	**(140)**	(126)
Repayment of notes payable	—	(1,000)
Exercise of stock options	**290**	135
Issuance of stock under employee stock purchase plan	**212**	313
Purchase of treasury shares	—	(751)
Net cash provided by (used for) financing activities	**362**	(1,429)
Increase (decrease) in cash and cash equivalents	**7,942**	(21,743)
Cash and cash equivalents, beginning of period	**1,797**	35,605
Cash and cash equivalents, end of period	**$ 9,739**	$ 13,862

See accompanying notes to condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 1 - Financial Statements
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(amounts in thousands, except per share data)

Note 1–Basis of Presentation

The accompanying condensed consolidated financial statements of PC Connection, Inc. and subsidiaries (“PCC”) have been prepared in accordance with accounting principles generally accepted in the United States of America. Such principles were applied on a basis consistent with those of the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2002 filed with the Securities and Exchange Commission (“SEC”). The accompanying condensed consolidated financial statements should be read in conjunction with the financial statements contained in our Annual Report on Form 10-K. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation. The operating results for the three and nine months ended September 30, 2003 may not be indicative of the results expected for any succeeding quarter or the entire year ending December 31, 2003.

In November 2002, the Emerging Issues Task Force (“EITF”) reached a final consensus on Issue No. 02-16, “Accounting by a Reseller for Cash Consideration Received from a Vendor,” which addresses how a reseller of a vendor’s product should account for cash consideration received from a vendor. The EITF issued guidance on the following two issues: (1) cash consideration received from a vendor should be recognized as a reduction of cost of sales in the reseller’s income statement, unless the consideration is a reimbursement for selling costs or payment for assets or services delivered to the vendor, and (2) performance-driven vendor rebates or refunds (e.g., minimum purchase or sales volumes) should be recognized as a reduction of cost of sales only if the payment is considered probable, and the method of allocating such payments in the financial statements should be systematic and rational based on the reseller’s progress in achieving the underlying performance targets. The provisions of EITF 02-16 were effective for our fiscal year beginning January 1, 2003. The recognition and measurement provisions of EITF 02-16 did not have a material effect on our results of operations or financial position.

Revenue Recognition

Revenue on product sales is recognized at the point in time when persuasive evidence of an arrangement exists, the price is fixed and final, delivery has occurred and there is a reasonable assurance of collection of the sales proceeds. We generally obtain oral or written purchase authorizations from our customers for a specified amount of product at a specified price. Because we either (i) have a general practice of covering customer losses while products are in transit despite title transferring to the customer at the point of shipment or (ii) have FOB – destination specifically set out in our arrangements with federal agencies, delivery is deemed to have occurred at the point in time when the product is received by the customer.

We provide our customers with a limited thirty-day right of return generally limited to defective merchandise. Revenue is recognized at delivery and a reserve for sales returns is recorded. We have demonstrated the ability to make reasonable and reliable estimates of product returns based on significant historical experience. Should such returns no longer prove estimable, we believe that the impact on our financials would not necessarily be significant since the return privilege expires 30 days after shipment.

All amounts billed to a customer in a sale transaction related to shipping and handling, if any, represent revenues earned for the goods provided and have been classified as “net sales.” Costs related to such shipping and handling billings are classified as “cost of sales.”

PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 1 - Financial Statements
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)
(amounts in thousands, except per share data)

Note 1–Basis of Presentation – Cont'd.

Restricted Cash

In connection with the acquisition of MoreDirect, Inc. (see Note 6 – Acquisition of MoreDirect, Inc.), a $10,000 cash escrow was established to fund a portion of the contingent consideration. $5,000 of these escrowed funds were used in the first quarter of 2003 to satisfy a portion of the earn-out obligation payable by PC Connection.

Intangible Assets

Intangible assets subject to amortization, consisting of customer lists were $2,291 and $2,556 at September 30, 2003 and December 31, 2002 (net of accumulated amortization of $529 and $264, respectively). Intangible assets not subject to amortization are as follows:

	September 30, 2003	December 31, 2002
Goodwill	**$ 33,672**(1)	$ 33,704(1)
Trademarks	**1,190**	1,190

(1) Amortization of goodwill ceased with the adoption of SFAS No. 142 on January 1, 2002.

For the nine months ended September 30, 2003 and 2002, we recorded amortization expense of $264 and $176, respectively.

We have designated January 1 of each year as the date we intend to perform our annual impairment tests relative to goodwill. This test was completed in the first quarter of 2003 and no impairment was recorded.

The estimated amortization expense for each of the five succeeding years and thereafter is as follows:

For the Year Ended December 31,	
2003	$ 88(A)
2004	353
2005	353
2006	353
2007	353
2008 and thereafter	791

(A) Represents estimated amortization expense for the three months ending December 31, 2003.

As described in Note 7, subsequent to the end of the third quarter of 2003, we received notice from the General Services Administration ("GSA") that it was canceling its contract with our subsidiary, GovConnection, Inc. ("GovConnection") effective on November 15, 2003. Given that this contract represented a significant portion of GovConnection's sales, we have recognized that an impairment event has occurred. Accordingly, we are undertaking a review of the existing goodwill balance attributable to this subsidiary. The total value of this specifically identifiable goodwill is $7,635. It is possible, after review, that this goodwill will be impaired in the fourth quarter of 2003.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make use of certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates, and revisions to estimates are included in our results for the period in which the actual amounts become known.

Stock-Based Compensation

Compensation expense associated with awards of stock options to employees and directors is measured using the intrinsic value method. We have not recorded compensation expense under the intrinsic value method for the three and nine months ended September 30, 2003 and 2002.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
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(amounts in thousands, except per share data)

Note 1–Basis of Presentation – Cont'd.

Had we recorded compensation expense using the fair value method under SFAS No. 123, "Accounting for Stock-Based Compensation," pro forma net income (loss) and diluted net income (loss) per share for the periods indicated would have been as follows:

September 30, *(amounts in thousands, except per share data)*	Three Months Ended 2003	Three Months Ended 2002	Nine Months Ended 2003	Nine Months Ended 2002
Net income, as reported	**$ 2,180**	$ 2,206	**$ 5,158**	$ 383
Compensation expense, under SFAS No. 123	**1,128**	755	**2,671**	2,265
Net income (loss), under SFAS No. 123	**1,501**	1,711	**3,541**	(1,104)
Basic net income per share, as reported	**.09**	.09	**.21**	.02
Basic net income (loss) per share, under SFAS No. 123	**.06**	.07	**.15**	(.04)
Diluted net income per share, as reported	**.09**	.09	**.21**	.02
Diluted net income (loss) per share, under SFAS No. 123	**.06**	.07	**.15**	(.04)

The Black-Scholes model was used to value options granted subsequent to the initial public offering. For the period ended September 30, 2003, a volatility factor of 64.6%, estimated option lives of four years, and a risk-free interest rate of 2.4% were used. For the period ended September 30, 2002, a volatility factor of 125.3%, estimated option lives of four years, and a risk-free interest rate of 2.8% were used. We believe that the assumptions used and the models applied to value the awards yield a reasonable estimate of the fair value of the grants made under the circumstances, given the alternatives under SFAS No. 123.

Note 2–Earnings Per Share

Basic earnings per common share is computed using the weighted average number of shares outstanding. Diluted earnings per common share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to options outstanding to purchase common stock, if dilutive.

The following table sets forth the computation of basic and diluted earnings per share:

September 30, *(amounts in thousands, except per share data)*	Three Months Ended 2003	Three Months Ended 2002	Nine Months Ended 2003	Nine Months Ended 2002
Numerator:				
Net income	**$ 2,180**	$ 2,206	**$ 5,158**	$ 383
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares	**24,741**	24,533	**24,686**	24,546
Dilutive effect of unexercised employee stock options:	**581**	256	**372**	302
Denominator for diluted earnings per share	**25,322**	24,789	**25,058**	24,848
Earnings per share:				
Basic	**$ .09**	$ .09	**$ .21**	$ .02
Diluted	**$ .09**	$ .09	**$ .21**	$ .02

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)
(amounts in thousands, except per share data)

Note 2–Earnings Per Share – Cont'd.

The following unexercised stock options were excluded from the computation of diluted earnings per share for the three and nine months ended September 30, 2003 and 2002 because the exercise prices of these options were generally greater than the average market price of common shares during the respective periods:

	Three Months Ended		Nine Months Ended	
September 30, ***(amounts in thousands)***	**2003**	**2002**	**2003**	**2002**
Anti-dilutive stock options	**1,165**	2,485	**1,572**	2,479

Note 3–Reporting Comprehensive Income

We have no other comprehensive income in any of the periods presented. Accordingly, a separate statement of comprehensive income is not presented.

Note 4–Segment and Related Disclosures

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," requires that public companies report profits and losses and certain other information on its "reportable operating segments" in its annual and interim financial statements.

We currently operate in three reportable operating segments – the "Public Sector" segment, which contains federal, state and local governmental organizations, and educational institutions; the "SMB" segment, which contains small- and medium-sized businesses, as well as consumers; and the "Large Corporate Accounts" segment which serves medium-to-large corporations. This latter segment came into existence in April 2002, when we acquired MoreDirect, Inc. Accordingly, this segment's operating results are included in our consolidated financial statements only for periods after April 5, 2002.

Segment information applicable to the Company's reportable operating segments for the three and nine months ended September 30, 2003 and 2002 is shown below:

Three Months Ended September 30, 2003

	SMB Segment	Public Sector Segment	Large Corp. Accts. Segment	Eliminations	Consolidated
Sales to external customers	$ 179,565	$ 103,596	$ 66,259	$ —	$ 349,420
Transfers between segments	83,702	—	—	(83,702)	—
Net sales	$ 263,267	$ 103,596	$ 66,259	$ (83,702)	$ 349,420
Operating income (loss) before allocations	$ 11,159	$ 4,081	$ 4,147	$ (15,520)	$ 3,867
Allocations	11,371	3,737	412	(15,520)	—
Operating income (loss)	(212)	344	3,735	—	3,867
Interest and other – net	(185)	(61)	3	—	(243)
Income (loss) before taxes	$ (397)	$ 283	$ 3,738	$ —	$ 3,624

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(Unaudited)
(amounts in thousands, except per share data)

Note 4–Segment and Related Disclosures – Cont'd.

Three Months Ended September 30, 2002

	SMB Segment	Public Sector Segment	Large Corp. Accts. Segment	Eliminations	Consolidated
Sales to external customers	$ 174,478	$ 96,265	$ 70,296	$ —	$ 341,039
Transfers between segments	68,325	—	—	(68,325)	—
Net sales	$ 242,803	$ 96,265	$ 70,296	$ (68,325)	$ 341,039
Operating income (loss) before allocations	$ 10,983	$ 2,973	$ 4,137	$ (14,266)	$ 3,827
Allocations	9,755	4,336	175	(14,266)	—
Operating income (loss)	1,228	(1,363)	3,962	—	3,827
Interest and other – net	(196)	(13)	6	—	(203)
Income (loss) before taxes	$ 1,032	$ (1,376)	$ 3,968	$ —	$ 3,624

Nine Months Ended September 30, 2003

	SMB Segment	Public Sector Segment	Large Corp. Accts. Segment	Eliminations	Consolidated
Sales to external customers	$ 544,781	$ 231,251	$ 178,483	$ —	$ 954,515
Transfers between segments	181,861	—	—	(181,861)	—
Net sales	$ 726,642	$ 231,251	$ 178,483	$ (181,861)	$ 954,515
Operating income (loss) before allocations	$ 36,737	$ 7,623	$ 11,369	$ (46,484)	$ 9,245
Allocations	35,803	9,696	985	(46,484)	—
Operating income (loss)	934	(2,073)	10,384	—	9,245
Interest and other – net	(604)	(134)	14	—	(724)
Income (loss) before taxes	$ 330	$ (2,207)	$ 10,398	$ —	$ 8,521
Total assets	$ 193,790	$ 101,924	$ 82,321	$ (80,610)	$ 297,425
Goodwill, net	$ 1,173	$ 7,634	$ 24,865	$ —	$ 33,672

Nine months Ended September 30, 2002

	SMB Segment	Public Sector Segment	Large Corp. Accts. Segment	Eliminations	Consolidated
Sales to external customers	$ 535,756	$ 209,446	$ 124,145	$ —	$ 869,347
Transfers between segments	151,072	—	—	(151,072)	—
Net sales	$ 686,828	$ 209,446	$ 124,145	$ (151,072)	$ 869,347
Operating income (loss) before allocations	$ 29,782	$ 5,762	$ 6,731	$ (41,179)	$ 1,096
Allocations	30,846	9,983	350	(41,179)	—
Operating income (loss)	(1,064)	(4,221)	6,381	—	1,096
Interest and other – net	(451)	8	29	—	(414)
Income (loss) before taxes	$ (1,515)	$ (4,213)	$ 6,410	$ -	$ 682
Total assets	$ 179,478	$ 86,048	$ 67,170	$ (50,126)	$ 282,570
Goodwill, net	$ 1,173	$ 7,635	$ 14,097	$ —	$ 22,905

PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 1 - Financial Statements
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
(Unaudited)
(amounts in thousands, except per share data)

Note 4 – Segment and Related Disclosures – Cont'd.

General and administrative expenses were charged to the reportable operating segments, based on their estimated usage of the underlying functions. Interest and other expense was charged to the segments, based on the actual costs incurred by each segment, net of interest and other income generated. The amount shown above representing total assets eliminated consists of inter-segment receivables, resulting primarily from inter-segment sales transfers reported above and from inter-segment service charges.

Net sales by business segment, sales channel, and product mix are presented below:

	Three Months Ended		Nine Months Ended	
September 30, *(amounts in thousands)*	2003	2002	2003	2002
Segment (excludes transfers between segments)				
SMB	**$ 179,565**	$ 174,478	**$ 544,781**	$ 535,756
Public Sector	**103,596**	96,265	**231,251**	209,446
Large Accounts	**66,259**	70,296	**178,483**	124,145
Total	**$ 349,420**	$ 341,039	**$ 954,515**	$ 869,347
Sales Channel				
Outbound & Telemarketing Field Sales	**$ 272,225**	$ 272,755	**$ 738,941**	$ 678,153
Inbound Telesales	**23,772**	16,348	**62,568**	67,690
Online Internet	**53,423**	51,936	**153,006**	123,504
Total	**$ 349,420**	$ 341,039	**$ 954,515**	$ 869,347
Product Mix				
Notebooks & PDAs	**$ 73,012**	$ 57,731	**$ 193,539**	$ 149,321
Desktop/Servers	**49,686**	46,235	**136,970**	123,782
Storage Devices	**31,099**	31,595	**87,616**	83,761
Software	**37,581**	53,960	**99,397**	128,005
Net/Comm Products	**27,834**	26,185	**76,784**	71,262
Printers & Printer Supplies	**39,903**	37,689	**112,349**	99,715
Video, Imaging & Sound	**41,003**	36,841	**110,017**	94,896
Memory & System Enhancements	**19,778**	18,109	**54,436**	46,257
Accessories/Other	**29,524**	32,694	**83,407**	72,348
Total	**$ 349,420**	$ 341,039	**$ 954,515**	$ 869,347

Substantially all of our net sales for the three and nine months ended September 30, 2003 and 2002 were made to customers located in the United States. Shipments to customers located in foreign countries aggregated less than 2% in those respective periods. All of our assets at September 30, 2003 and December 31, 2002 were located in the United States. Our primary target customers are small- to medium-sized businesses ("SMBs") comprised of 20 to 1,000 employees, federal, state and local governmental agencies, educational institutions, and medium-to-large corporate accounts. Except for the federal government, no single customer accounted for more than 4% of total net sales in the nine months ended September 30, 2003 and 2002. Net sales to the federal government accounted for $105.7 million, or 11.1% of total net sales for the nine months ended September 30, 2003, and $101.6 million, or 11.7% of total net sales for the nine months ended September 30, 2002.

As described in Note 7, subsequent to the end of the third quarter of 2003 we received notice from the GSA that it was canceling its contract with our subsidiary, GovConnection effective November 15, 2003. Net sales under this contract accounted for approximately $56 million in revenue and approximately $4.8 million in gross profit for the nine months ended September 30, 2003.

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(Unaudited)
(amounts in thousands, except per share data)

Note 5 – Restructuring Costs and Other Special Charges

We recorded $397 and $886 in workforce reduction charges in the nine months ended September 30, 2003 and 2002, respectively.

A rollforward of restructuring reserves for the nine months ended September 30, 2003 is shown below. The balance at December 31, 2002 originally arose as a result of workforce reductions in 2001 and 2002.

	Workforce Reductions
Balance December 31, 2002	$ 208
Charges	397
Cash payments	(421)
Liabilities at September 30, 2003	$ 184

In June 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and replaces Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than at the date of a commitment to an exit or disposal plan. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002. The restructuring activities undertaken by us prior to the issuance of this statement have been appropriately accounted for under EITF 94-3.

Note 6 – Acquisition of MoreDirect, Inc.

On April 5, 2002, we completed the acquisition of MoreDirect, Inc. (MoreDirect). Our annual report on Form 10-K for the year ended December 31, 2002 details this transaction. We paid contingent consideration of $10,800 to the sole shareholder of MoreDirect in early 2003. This amount had been accrued for as of December 31, 2002. The shareholder continues to be eligible to earn additional consideration based on earnings before income tax targets over the next two years. The maximum incremental payments to be made under this arrangement are approximately $56,300.

The transaction was accounted for by the purchase method, and accordingly, MoreDirect's results of operations are included in our consolidated financial statements only for periods after April 5, 2002.

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Note 6 – Acquisition of MoreDirect, Inc. – Cont'd.

The following unaudited pro forma information presents the results of our operations as if the acquisition of MoreDirect had taken place as of the beginning of the period presented:

September 30, ***(amounts in thousands, except per share data)***	**Nine Months Ended 2002**
Net revenue	$ 923,857
Net income	2,043
Earnings per share:	
Basic	$ .08
Diluted	$ .08

Note 7 – Contingencies

We are subject to various legal proceedings and claims which have arisen during the ordinary course of business. In the opinion of management, the outcome of such matters is not expected to have a material effect on our financial position, results of operations and cash flows.

We are also subject to audit by various government agencies relating to sales under certain government contracts. An audit has been conducted on our GSA contract for the period May 1, 1997 to March 31, 2002. On October 16, 2003 we received notice from the GSA that the GSA's contract with our subsidiary, GovConnection, was to be canceled in thirty days. We met with representatives of the GSA to discuss a stay or recission of the cancellation notice. We were notified on November 14, 2003 that the cancellation notice could not be rescinded or stayed. As a result of such meetings, management has concluded that such cancellation was precipitated by an audit of contractual compliance. We have not received an audit report or received a claim from the GSA concerning amounts that might be owed pursuant to this audit.

Based on our own internal review of contractual compliance, we have noted that several internal control deficiencies have existed at GovConnection surrounding its compliance with the GSA contract. Actions have been taken to address these deficiencies. We believe that we have provided adequate reserves to cover any such claims as they relate to payment of fees required under the contract or any penalties assessed. We have reserved $1.0 million for such fees or any penalties assessed. However, we will continue to evaluate such reserves in light of additional information that comes to our attention.

We have been informally advised that audit matters related to GovConnection have been referred to the Department of Justice for its review. Such a referral exposes us to possible civil damages for non-compliance with the GSA contract. Such damages can be substantial. No reserves have been provided for such a claim because of the preliminary nature of this matter. We will continue to evaluate our reserves – as they relate both to the GSA audit and the Department of Justice investigation – in light of additional information that comes to our attention. The ultimate outcome of these matters cannot be determined. Future events may result in conclusions that could have a material impact, either positively or negatively, on the results of operations or financial condition of the Company. We have no indication of intentional wrongdoing by GovConnection regarding the GSA contract. In order to assist in this evaluation, the Board of Directors of PC Connection has authorized outside counsel and an independent auditing firm to undertake a review of the Company's systems, policies and procedures relative to its Federal, State and Local Government contracts.

As was indicated in Note 4, we currently have goodwill recorded on our balance sheet that is associated with our government business. The reduction of orders pursuant to the cancellation of the GSA contract will result in an impairment event and will require that we determine the recoverability of such goodwill amounts in the fourth quarter of 2003.

The merger agreement with MoreDirect contemplates an earn-out period of three years following the closing whereby if MoreDirect maintains certain earnings before income tax, or EBIT, levels, additional payments will be made to MoreDirect's shareholder. Under the merger agreement, earn-out payments are tied to EBIT levels targeted to grow at a 15% rate per year. The maximum payments we will make under the earn-out provisions of the merger agreement are $67.1 million, assuming MoreDirect maintains 200% of targeted EBIT levels for all three years. If MoreDirect maintains less than 60% of targeted EBIT levels for all three years, no payment would be required under the earn-out provisions of the merger agreement. At any time during the earn-out period, we may "buy-out" the remaining earn-out payments for amounts which vary during the term of the earn-out. We accrued a liability to MoreDirect's shareholder for $10.8 million in earn-out consideration for the year ended December 31, 2002, which was paid in 2003. We also escrowed $10.0 million at closing to fund a portion of these contingent payments, of which $5.0 million was used to satisfy a portion of the liability paid by PC Connection in the first quarter of 2003. We believe we will be able to meet our obligations to MoreDirect and its previous shareholder under the merger agreement.

Note 8 – Bank Borrowing and Trade Credit Arrangements

We have a $45 million credit facility secured by substantially all of our business assets. The cancellation of GovConnection's GSA contract referred to above resulted in a technical default under our credit facility and under our inventory purchase security agreements with two financial institutions. We have had positive discussions with each respective lender, however, and anticipate that waivers will be granted as early as November 21, 2003. No borrowings were outstanding under the credit facility at September 30, 2003. A total of $2,441 was outstanding under the inventory purchase agreements as of September 30, 2003.

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Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that are subject to risks and uncertainties, including, but not limited to, the impact of changes in market demand and the overall level of economic activity, or in the level of business investment in information technology products, competitive products and pricing, product availability and market acceptance, new products, fluctuations in operating results and other risks detailed under the caption, "Factors That May Affect Future Results and Financial Condition" set forth below. All statements, trends, analyses and other information contained in this report relative to trends in net sales, gross margin and anticipated expense levels, as well as other statements, including words such as "anticipate," "believe," "plan," "estimate," "expect," and "intend" and other similar expressions, constitute forward-looking statements. These forward-looking statements involve risks and uncertainties, and actual results may differ materially from those anticipated or expressed in such statements. More specifically, the statements in this report concerning our outlook for the balance of 2003, statements regarding our government contracts, the statements concerning our gross margin percentage and selling and administrative costs and other statements of a non-historical basis are forward-looking statements that involve certain risks and uncertainties. Such risks and uncertainties include the ability to realize market demand for and competitive pricing pressures on the products and services marketed by us, the continued acceptance of our distribution channel by vendors and customers, continuation of key vendor relationships and support programs and our ability to hire and retain qualified sales account managers and other essential personnel. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. Readers, however, should carefully review the factors set forth in other reports or documents that we file from time to time with the SEC.

General

PC Connection was founded in 1982 as a mail-order business offering a broad range of software and accessories for IBM and IBM-compatible personal computers. The founders' goal was to provide consumers with superior service and high quality branded products at competitive prices. Currently, we offer a wide range of information technology products and services – including computer systems, software and peripheral equipment, networking communications and other products and accessories. We operate through three primary business segments (a) consumers and small- to medium-sized businesses through our PC Connection Sales Corporation subsidiaries, (b) federal, state and local government and educational institutions through our GovConnection, Inc. subsidiary and (c) large corporate accounts through our MoreDirect, Inc. subsidiary. We generate sales through (i) outbound telemarketing and field sales by account managers focused on the business, education and government markets, (ii) inbound calls from customers responding to our catalogs and other advertising and (iii) our Internet Web sites.

The weakness in demand for information technology products experienced by us in 2002 continued through the first nine months of 2003 resulting in overall conservative buying patterns by customers, order deferrals by customers, and longer sales cycles.

Our subsidiary, GovConnection, has received notice from the General Services Administration ("GSA") canceling GovConnection's GSA contract, effective on November 15, 2003. Net sales under the GSA contract accounted for approximately $56 million in revenue and approximately $4.8 million in gross profit for the nine months ended September 30, 2003. The GSA conducted an audit of sales under this contract. Although we have not received an audit report from GSA, preliminary findings indicated that certain sales by GovConnection made to federal government agencies may not have complied with the terms of this contract. Following such cancellation, GovConnection is not entitled to sell products to federal government entities other than through a competitive bidding process, through "open market" purchases. GovConnection can, however, continue to sell to federal agencies under an existing separate contract with one of those agencies. We plan to apply for a new GSA contract; however, there is no assurance that the GSA would act favorably on any such application within a time frame that would avoid a disruption in any sales. As a result, sales to federal government entities may significantly decrease and net sales, gross profit, income from operations and our cash flow from operations may be adversely affected. In addition, we may be required to pay fees or penalties to the GSA for any such non-compliance. We have reserved $1.0 million for fees or penalties, but such amounts may not be sufficient.

Application of Significant Accounting Policies and Estimates

The consolidated financial statements of PC Connection are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses during the periods presented. The significant accounting policies which we believe are the most critical to aid investors in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition

Revenue on product sales is recognized at the point in time when persuasive evidence of an arrangement exists, the price is fixed and final, delivery has occurred and there is a reasonable assurance of collection of the sales proceeds. We generally obtain oral or written purchase authorizations from our customers for a specified amount of product at a specified price. Because we either (i) have a general practice of covering customer losses while products are in transit despite title transferring to the customer at the point of shipment or (ii) have FOB – destination specifically set out in our arrangements with federal agencies, delivery is deemed to have occurred at the point in time when the product is received by the customer. We provide our customers with a limited thirty-day right of return generally limited to defective merchandise. Revenue is recognized at delivery and a reserve for sales returns is

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recorded. We have demonstrated the ability to make reasonable and reliable estimates of product returns based on significant historical experience. Should such returns no longer prove estimable, we believe that the impact on our financials would not necessarily be significant since the return privilege expires 30 days after shipment.

Accounts Receivable

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and customers' current credit worthiness. Our allowance is generally computed by (1) applying specific percentage reserves on accounts that are past due; and (2) specifically reserving for customers known to be in financial difficulty. Therefore, if the financial condition of certain of our customers were to deteriorate, or if we noted there was a lengthening of the timing of the settlement of receivables that was symptomatic of a general deterioration in the ability of our customers to pay, we would have to increase our allowance for doubtful accounts. This would negatively impact our earnings and our cash flows.

In addition to accounts receivable from customers, we record receivables from our vendors/suppliers for cooperative advertising, price protection, supplier reimbursements, rebates and other similar arrangements. A portion of such receivables is estimated based on information available from our vendors at discrete points in time. While such estimates have historically approximated actual cash received, an unanticipated change in a promotional program could give rise to a reduction in the receivable. This could negatively impact our earnings and our cash flows.

In November 2002, the Emerging Issues Task Force ("EITF") reached a final consensus on Issue No. 02-16, "Accounting by a Reseller for Cash Consideration Received from a Vendor," which addresses how a reseller of a vendor's product should account for cash consideration received from a vendor. The EITF issued guidance on the following two issues: (1) cash consideration received from a vendor should be recognized as a reduction of cost of sales in the reseller's income statement, unless the consideration is a reimbursement for selling costs or payment for assets or services delivered to the vendor, and (2) performance-driven vendor rebates or refunds (e.g., minimum purchase or sales volumes) should be recognized as a reduction of cost of sales only if the payment is considered probable, and the method of allocating such payments in the financial statements should be systematic and rational based on the reseller's progress in achieving the underlying performance targets. The provisions of EITF 02-16 were effective for our fiscal year beginning January 1, 2003. The recognition and measurement provisions of EITF 02-16 did not have a material effect on our results of operations or financial position.

Considerable judgment is used in assessing the ultimate realization of customer receivables and vendor/supplier receivables, including reviewing the financial stability of a customer, vendor information and gauging current market conditions. If our evaluations are incorrect, we may incur future charges to our income statement and suffer diminution in our cash flows.

Inventories – Merchandise

Inventories (all finished goods) consisting of software packages, computer systems and peripheral equipment are stated at cost (determined under the first-in, first-out method) or market, whichever is lower. Inventory quantities on hand are reviewed regularly, and provisions are made for obsolete, slow moving and nonsalable inventory, based primarily on management's forecast of customer demand for those products in inventory. The PC industry is characterized by rapid technological change and new product development that could result in increased obsolescence of inventory on hand. Increased obsolescence or decreased customer demand beyond management's expectations could require additional provisions. This could negatively impact our earnings and our cash flows. Our obsolescence charges have historically approximated $5 million per annum. There have been no unusual charges precipitated by specific technological or forecast issues.

Value of Long-Lived Assets, Including Intangibles

We carry a variety of long-lived assets on our balance sheet. These are all currently classified as held for use. These include property and equipment, identifiable intangibles and goodwill. An impairment review is undertaken on (1) an annual basis for assets such as goodwill and indefinite lived intangible assets; and (2) on an event-driven basis for all long-lived assets (including indefinite lived intangible assets and goodwill) when facts and circumstances suggest that cash flows emanating from such assets

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may be diminished. We may review the carrying value of all these assets based partly on our projections of anticipated cash flows projections which are, in part, dependent upon anticipated market conditions and operational performance. Any impairment charge that is recorded negatively impacts our earnings. Cash flows are generally not impacted.

Over the last several years, we have incurred no significant impairment charges. While we believe that our future estimates are reasonable, different assumptions regarding items such as future cash flows and the volatility inherent in markets which we serve could materially affect our valuations and result in impairment charges against the carrying value of those assets. As discussed in the notes to the condensed consolidated financial statements, notification from the GSA of contract cancellation effective November 15, 2003 will require an "event-driven" impairment evaluation relative to goodwill residing in our government business. This may have a negative effect on our results of operations in the fourth quarter of 2003.

Employee Compensation Benefits

Our employee compensation model has several elements that we would consider variable. These include our obligation to our employees for health care. We have selected a plan that results in our being self-insured up to certain stop-loss limits. Accordingly, we have to estimate the amount of health care claims outstanding at a given point in time. These estimates are based on historical experience and could be subject to change. Such change could negatively impact both our earnings and our cash flows.

We also provide stock option grants to our employees. In general, such grants have been made at the current fair value of our stock and accordingly, given that we account for option awards under APB Opinion 25, "Accounting for Stock Issued to Employees," no compensation charge has been recorded. In previous years, most specifically those years prior to our initial public offering, there was a difference between the strike price of the option and the then current fair value of the stock. This difference resulted in a fixed and determinable compensation charge. We have not modified option grants in a manner that would cause either re-measurement of the awards or the commencement of variable accounting.

We have also engaged in workforce reduction actions in each of the last two years. These actions included formula driven termination benefits as well as contractually determined severance arrangements. These benefits were or are being paid relatively quickly and have not been subject to change. We do not foresee a circumstance where there could be significant variability in our workforce reduction estimates. However, if we did experience significant variability, such change could negatively impact our cash flows and results of operations.

Results of Operations

Three and Nine Months Ended September 30, 2003 Compared with the Three and Nine Months Ended September 30, 2002.

The following table sets forth for the periods indicated information derived from our statements of income expressed as a percentage of net sales.

	Three Months Ended		Nine Months Ended	
September 30,	2003	2002	2003	2002
Net sales (in millions)	**$349.4**	$341.0	**$954.5**	$869.3
Net sales	**100.0%**	100.0%	**100.0%**	100.0%
Gross profit	**10.3**	10.9	**10.6**	10.7
Selling, general and administrative expenses	**9.2**	9.6	**9.6**	10.4
Restructuring costs and other special charges	—	0.2	—	0.2
Income from operations	**1.1**	1.1	**1.0**	0.1

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Results of Operations—Cont'd.

The following table sets forth our percentage of net sales by business segment, sales channel, and product mix:

September 30,	Three Months Ended 2003	Three Months Ended 2002	Nine Months Ended 2003	Nine Months Ended 2002
Segment (excludes transfers between segments)				
SMB	**51%**	51%	**57%**	62%
Public Sector	**30**	28	**24**	24
Large Accounts	**19**	21	**19**	14
Total	**100%**	100%	**100%**	100%
Sales Channel				
Outbound Telemarketing & Field Sales	**78%**	80%	**77%**	78%
Inbound Telesales	**7**	5	**7**	8
Online Internet	**15**	15	**16**	14
Total	**100%**	100%	**100%**	100%
Product Mix				
Notebooks & PDAs	**21%**	17%	**20%**	17%
Desktop/Servers	**14**	14	**14**	14
Storage Devices	**9**	9	**9**	10
Software	**11**	16	**10**	15
Net/Com Products	**8**	8	**8**	8
Printers & Printer Supplies	**11**	11	**12**	12
Videos, Imaging & Sound	**12**	11	**12**	11
Memory & System Enhancements	**6**	5	**6**	5
Accessories/Other	**8**	9	**9**	8
Total	**100%**	100%	**100%**	100%

Sales of enterprise server and networking products (included in the above product mix) were 27.4% and 26.0% of net sales for the three months ended September 30, 2003 and September 30, 2002, respectively, and 27.1% and 26.5% of net sales for the nine months ended September 30, 2003 and September 30, 2002, respectively.

As noted above, GovConnection has received a notice from the GSA canceling GovConnection's GSA contract, effective on November 15, 2003. Net sales under the GSA contract accounted for approximately $56 million in revenue and approximately $4.8 million in gross profit for the nine months ended September 30, 2003. Following such cancellation, GovConnection will not be entitled to sell products to federal government entities other than through a competitive bidding process or through "open market" purchases, and the amount of sales to federal government entities may decrease significantly. GovConnection can, however, continue to sell to federal agencies under an existing separate contract with one of those agencies. As a result, net sales, gross profit and income from operations for future periods may be adversely affected.

Three Month Period Ended September 30, 2003 Compared to Three Month Period Ended September 30, 2002

Net sales for the three months ended September 30, 2003 increased to $349.4 million from $341.0 million for the three months ended September 30, 2002.

- Net sales for our small- and medium-sized business (SMB) segment increased by 2.9% to $179.6 million for the three months ended September 30, 2003 from $174.5 million for the comparable period in 2002. SMB net sales decreased sequentially by $7.0 million, or 3.8%, over the three months ended June 30, 2003.
- Net sales for our Public Sector segment, which sells to federal, state and local government organizations and educational institutions, increased by $7.3 million, or 7.6%, to $103.6 million for the three months ended September 30, 2003 over the comparable period in 2002. More specifically, sales to the federal government increased by 0.6% for the three months ended September 30, 2003 from the comparable period of 2002 and increased sequentially by 64.5% over the three months ended June 30, 2003. The significant sequential increase is due to the cyclical nature of the federal government business, which peaks in the third quarter. Sales to state, local and education customers for the third quarter of 2003, increased by 15.8% over the comparable period in 2002 and increased sequentially by 19.0% over the three months ended June 30, 2003. Year-over-year comparative increases can be attributed to increased sales productivity per sales representative.

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- Sales to large account customers by our MoreDirect subsidiary were $66.3 million for the three months ended September 30, 2003, compared to $70.3 million for the comparable period in 2002.

Notebooks & PDAs continued to be our largest product category, accounting for 20.9% of net sales for the three months ended September 30, 2003 compared to 16.9% of the comparable period in 2002. Desktop and server computer systems accounted for 14.2% of net sales in the third quarter of 2003 compared to 13.6% for the comparable period in 2002. Software product sales were 10.7% for the third quarter of 2003, down from 15.8% for the comparable period in 2002, primarily due to fewer sales of upgrades of Microsoft software.

Net sales of enterprise server and networking products increased 7.9% to $95.7 million for the quarter ended September 30, 2003 from $88.7 million for the comparable period in 2002. We believe that these product categories will eventually grow substantially as our customers further upgrade their network and communication infrastructure. Enterprise server and networking products represented 27.4% of overall net sales for the third quarter in 2003, an increase from 26.0% of net sales for the comparable period in 2002. If economic conditions do not improve in the near term, the anticipated sales growth of these types of products will not likely occur.

Average order size decreased marginally to $1,303 for the quarter ended September 30, 2003 from $1,323 in the third quarter of 2002. Average order size increased sequentially by 17.4% in the third quarter due to the seasonal increase in the average order size of sales to our federal government customers. The total number of orders received for the quarter were flat, compared to the second quarter of 2003, but increased 6.7% year-over-year, compared to the 2.5% year-over-year increase in total net sales dollars.

Gross profit decreased $1.3 million to $35.9 million for the quarter ended September 30, 2003 from $37.2 million for the comparable period in 2002. Gross profit margin decreased from 10.9% in the third quarter 2002 to 10.3% in the third quarter 2003 as a result of competitive pricing pressures, product mix change, lower Microsoft rebates and increased lower margin government and education sales. Generally pricing in the computer and related products market is very aggressive, and we intend to maintain prices at competitive levels. Sales to our SMB and Large Corporate Account customers generally carry higher gross margins than our sales to Public Sector customers. Additionally, sales of enterprise server and networking products generally carry higher gross margins than sales of desktops and notebook computers. Our gross margin is influenced by, among other things, industry pricing, customer segment and relative product mix and may vary based upon vendor support programs, product mix, pricing strategies, market conditions and other factors.

Selling, general and administrative expenses decreased $0.5 million, or 1.5%, to $32.1 million for the quarter ended September 30, 2003 from $32.6 million for the third quarter in 2002 due to our continued cost control initiatives. Selling, general and administrative expenses (SG&A), as a percentage of sales, were 9.2% of net sales in the third quarter of 2003, compared to 9.6% in the comparable period in 2002. While we continue to focus on controlling discretionary expenditures, we expect that our SG&A may vary depending on changes in sales volume, as well as the levels of continued investments in key growth initiatives such as hiring more outbound sales account managers, improving marketing programs, and improving our Internet Web technology to support our sales organization.

Restructuring costs and other special charges of $0.7 million were incurred for staff reductions for the three months ended September 30, 2002. No such charges were incurred for the three months ended September 30, 2003. A rollforward of the spending on these restructuring actions is provided in the footnotes to our quarterly financial statements.

Results of Operations—Cont'd.

In June 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and replaces Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than at the date of a commitment to an exit or disposal plan. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002. The restructuring activities undertaken by us prior to the issuance of this statement have been appropriately accounted for under EITF 94-3. The nature of our activities were such that severance recorded under SFAS No. 146 was consistent with that previously recorded under EITF 94-3.

Income from operations was $3.9 million for the quarter ended September 30, 2003, compared to $3.8 million for the comparable period in 2002. Income from operations as a percentage of sales was 1.1% in the three months ended September 30, 2003 and September 30, 2002.

Interest expense was $0.3 million for each quarter ended September 30, 2003 and September 30, 2002. Borrowings continue to be minimal as our average outstanding borrowings for the quarter were approximately $1.3 million. There were no borrowings outstanding at the end of either quarter.

Other, net, which is essentially comprised of interest income was $0.03 million and $0.1 million for the three-month periods ended September 30, 2003 and 2002, respectively. The decrease was due to lower average cash balances and marketable securities as well as overall lower interest rates compared to the same period in 2002.

Income taxes were $1.4 million for each quarter ended September 30, 2003 and 2002. The effective tax rate was 40% and 39% for the three months ended September 30, 2003 and 2002, respectively. The effective tax rate increased slightly in 2003 due to anticipated state income allocations differing in each fiscal year estimate.

Net income for the quarter ended September 30, 2003 was $2.2 million, essentially equal to net income for the comparable quarter in 2002.

Nine Month Period Ended September 30, 2003 Compared to Nine Month Period Ended September 30, 2002

Net sales for the nine months ended September 30, 2003 increased to $954.5 million from $869.3 million for the nine months ended September 30, 2002.

- Net sales for our small- and medium-sized business (SMB) segment increased by 1.7% to $544.8 million for the nine months ended September 30, 2003 from $535.8 million for the comparable period in 2002.
- Net sales for our Public Sector segment, which sells to federal, state and local government organizations and educational institutions, increased $21.8 million, or 10.4%, to $231.3 million for the nine months ended September 30, 2003 over the comparable period in 2002. Sales to the federal government increased by 4.0% for the nine months ended September 30, 2003 from the comparable period of 2002. Sales to state, local and education customers for the nine months ended September 30, 2003, increased by 16.4% over the comparable period in 2002.
- Sales to large account customers by our MoreDirect subsidiary were $178.5 million for the nine months ended September 30, 2003, compared to $124.1 million for the comparable period in 2002. We purchased MoreDirect on April 5, 2002, and accordingly, MoreDirect's net sales are included in our consolidated financial statements only for the periods after April 5, 2002.

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Results of Operations—Cont'd.

Notebooks & PDAs continued to be our largest product category, accounting for 20.3% of net sales for the nine months ended September 30, 2003 compared to 17.2% of the comparable period in 2002. Desktop and server computer systems accounted for 14.4% of net sales for the nine months ended September 30, 2003 compared to 14.2% for the comparable period in 2002. Software product sales were 10.4% for the first nine months ended September 30, 2003, down from 14.7% for the comparable period in 2002.

Net sales of enterprise server and networking products increased 12.3% to $258.4 million for the nine months ended September 30, 2003 from $230.2 million for the comparable period in 2002. We believe that these product categories will eventually grow substantially as our customers further upgrade their network and communication infrastructure. Enterprise server and networking products represented 27.1% of overall net sales for the nine months ended September 30, 2003 up from 26.5% of net sales for the comparable period in 2002. If economic conditions do not improve in the near term, the anticipated sales growth of these types of products will not likely occur.

Gross profit increased $8.0 million to $101.4 million for the nine months ended September 30, 2003 from $93.4 million for the comparable period in 2002. The increase in gross profit dollars was attributable to the changes in net sales described above. Gross profit margin decreased slightly to 10.6% for the nine-month period ended September 30, 2003 from 10.7% in the comparable period of 2002. Generally, pricing in the computer and related products market is very aggressive, and we intend to maintain prices at competitive levels. Sales to our SMB and Large Corporate Account customers generally carry higher gross margins than our sales to Public Sector customers. Additionally, sales of enterprise server and networking products generally carry higher gross margins than sales of desktops and notebook computers. Our gross margin is influenced by, among other things, industry pricing, customer segment and relative product mix and may vary based upon vendor support programs, product mix, pricing strategies, market conditions and other factors.

Selling, general and administrative expenses increased $1.0 million, or 1.1%, to $91.7 million for the nine months ended September 30, 2003 from $90.7 million for comparable period in 2002. SG&A, as a percentage of sales, were 9.6% of net sales for the nine months ended September 30, 2003, compared to 10.4% in the comparable period in 2002. While we continue to focus on controlling discretionary expenditures, we expect that our SG&A may vary depending on changes in sales volume, as well as the levels of continued investments in key growth initiatives such as hiring more outbound sales account managers, improving marketing programs, and improving our Internet Web technology to support our sales organization.

*R***estructuring costs and other special charges** decreased $1.2 million, or 75.0% to $0.4 million for the nine months ended September 30, 2003 from $1.6 million for the comparable period in 2002. We recorded a $0.4 million charge in the second quarter of 2003 for staff reductions. On March 15, 2002, we announced that we had settled litigation commenced by Microsoft Corporation involving alleged trademark and copyright infringement. While denying the allegations, we recorded a $0.8 million charge in settlement costs and legal fees related to this matter. We also recorded a $0.9 million charge related to staff reductions in the nine months ended September 30, 2002.

A rollforward of restructuring reserves for the nine months ended September 30, 2003 is shown below. These reserves originally arose as a result of workforce reduction actions in prior years.

	Workforce Reductions
Balance December 31, 2002	$ 208
Charges	397
Cash payments	(421)
Liabilities September 30, 2003	$ 184

PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED

Results of Operations—Cont'd.

In June 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and replaces Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than at the date of a commitment to an exit or disposal plan. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002. The restructuring activities undertaken by us prior to the issuance of this statement have been appropriately accounted for under EITF 94-3. The nature of our activities were such that severance recorded under SFAS No. 146 was consistent with that previously recorded under EITF 94-3.

Income from operations increased $8.1 million, or 736.4%, to $9.2 million for the nine months ended September 30, 2003, from $1.1 million for the comparable period in 2002. Income from operations as a percentage of sales increased to 1.0% for the nine months ended September 30, 2003 from 0.1% for the comparable period in 2002 for the reasons discussed above.

Interest expense was $0.8 million for each nine-month period ended September 30, 2003 and 2002. Borrowings continue to be minimal as our average outstanding borrowings for the nine months ended September 30, 2003 were approximately $1.3 million. There were no borrowings outstanding at the end of either period.

Other, net, which is essentially comprised of interest income was $0.1 million and $0.4 million for the nine-month periods ended September 30, 2003 and 2002, respectively. The decrease was due to lower average cash balances and marketable securities as well as overall lower interest rates compared to the same period in 2002.

Income taxes were $3.4 million for the nine months ended September 30, 2003 compared to $0.3 million for the comparable period in 2002. The effective tax rate was 39.5% and 43.8% for the nine months ended September 30, 2003 and 2002, respectively. The effective tax rate decreased in 2003 due to anticipated state income allocations differing in each fiscal year estimate.

Net income increased $4.8 million to $5.2 million for the nine months ended September 30, 2003 from $0.4 million for the comparable period in 2002, as a result of the increase in income from operations.

Liquidity and Capital Resources

We have historically financed our operations and capital expenditures through cash flow from operations and bank borrowings. We believe that funds generated from operations, together with available credit under our bank line of credit, will be sufficient to finance our working capital and capital expenditure requirements at least through the next twelve months. Our ability to continue funding our planned growth is dependent upon our ability to generate sufficient cash flow from operations or to obtain additional funds through equity or debt financing, or from other sources of financing, as may be required. If demand for information technology products continues to decline, our cash flows from operations may be substantially reduced.

As noted above, GovConnection has received notice from the GSA canceling its GSA contract, effective on November 15, 2003. Following such cancellation, GovConnection will not be entitled to sell products to federal government entities other than through a competitive bidding process or through "open market" purchases, and the amount of sales to federal government entities may decrease significantly. GovConnection can, however, continue to sell to federal agencies under an existing separate contract with one of those agencies. As a result, our cash flow from operations may be adversely affected. In addition, we may be required to pay fees or penalties to the GSA for any such non-compliance. We have reserved $1.0 million for fees or penalties, but such amounts may not be sufficient.

At September 30, 2003, we had cash and cash equivalents of $9.7 million and working capital of $100.7 million. At December 31, 2002, we had cash and cash equivalents of $1.8 million and working capital of $91.3 million.

Net cash provided by operating activities was $15.3 million for the nine months ended September 30, 2003, as compared to $16.7 million for the comparable period in 2002. The primary factors historically affecting cash flows from operations are our net income and changes in the levels of accounts receivable, inventories, and accounts payable.

Liquidity and Capital Resources – Cont'd.

At September 30, 2003, we had $118.3 million in outstanding accounts payable. Such accounts are generally paid within 30 days of incurrence and will be financed by cash flows from operations or, if necessary, short-term borrowings under the line of credit. This amount includes $2.4 million payable to two financial institutions under security agreements to facilitate the purchase of inventory. We believe we will be able to meet our obligations under our accounts payable with cash flows from operations and our existing line of credit.

Capital expenditures were $1.9 million in the nine months ended September 30, 2003 as compared to $4.4 million in the comparable period in 2002. The majority of the capital expenditures for the respective 2003 and 2002 periods relate to computer hardware and software purchases for our information systems. Total capital expenditures for the year ending December 31, 2003 are estimated to be $2.5 million and we anticipate funding these capital expenditures from cash flows from operations.

We currently have a $45 million credit facility secured by substantially all of our business assets. Amounts outstanding under this facility bear interest at the prime rate (4.0% at September 30, 2003). This facility was amended as of October 1, 2003 to give us the option of increasing the borrowing by up to $20 million. The credit facility includes various customary financial and operating covenants, minimum net worth and maximum funded debt ratio requirements, including restrictions on the payment of dividends, none of which we believe significantly restricts our operations. The maximum allowable funded debt ratio under the agreement is 2.0 to 1.0; our actual funded debt ratio at September 30, 2003 was only 0.05 to 1.0. Funded debt ratio is defined as the ratio of average outstanding advances under the facility to EBITDA (Earnings Before Interest Expense, Taxes, Depreciation and Amortization). Borrowing availability under the agreement is further limited to twice the amount of EBITDA for the trailing four quarters; such availability was $46.2 million at September 30, 2003. No borrowings were outstanding under this credit facility at September 30, 2003. The credit facility matures on December 31, 2005, at which time amounts outstanding become due.

The cancellation of GovConnection's GSA contract referred to above resulted in a technical default under the credit facility and under the two inventory purchase security agreements discussed above. We have had positive discussions with the respective lenders, however, and anticipate that waivers will be granted as early as November 21, 2003.

The merger agreement with MoreDirect contemplates an earn-out period of three years following the closing whereby if MoreDirect maintains certain earnings before income tax, or EBIT, levels, additional payments will be made to MoreDirect's shareholder. Under the merger agreement, earn-out payments are tied to EBIT levels targeted to grow at a 15% rate per year. The maximum payments we will make under the earn-out provisions of the merger agreement are $67.1 million, assuming MoreDirect maintains 200% of targeted EBIT levels for all three years. If MoreDirect maintains less than 60% of targeted EBIT levels for all three years, no payment would be required under the earn-out provisions of the merger agreement. At any time during the earn-out period, we may "buy-out" the remaining earn-out payments for amounts which vary during the term of the earn-out. We accrued a liability to MoreDirect's shareholder for $10.8 million in earn-out consideration for the year ended December 31, 2002, which was paid in 2003. We also escrowed $10.0 million at closing to fund a portion of these contingent payments, of which $5.0 million was used to satisfy a portion of the liability paid by us in the first quarter of 2003. We believe we will be able to meet our obligations to MoreDirect and its shareholder under the merger agreement.

We have disclosed significant related party transactions and our future commitments in our Annual Report on Form 10-K for the year ended December 31, 2002. There have been no changes in those disclosures since year-end.

Recently Adopted Financial Accounting Pronouncements

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), which requires that, for guarantees within the scope of FIN 45 issued or amended after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee be recognized. FIN 45 also requires additional disclosures in financial statements for periods ending after December 15, 2002. The recognition and measurement provisions of FIN 45 did not have a material effect on our results of operations or financial position.

Inflation

We have historically offset any inflation in operating costs by a combination of increased productivity and price increases, where appropriate. We do not expect inflation to have a significant impact on our business in the future.

PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS—CONTINUED

Factors That May Affect Future Results and Financial Condition

Our future results and financial condition are dependent on our ability to continue to successfully market, sell and distribute information technology products and services, including computers, hardware and software. Inherent in this process are a number of factors that we must successfully manage in order to achieve a favorable financial condition and favorable operating results. Potential risks and uncertainties that could affect our future financial condition and operating results include, without limitation, the following factors:

There has been a general decrease in demand throughout the industry for the products we sell.

The general decline in the economy over the past two years has resulted in a decrease in demand for personal computer products throughout the industry, despite the modest and recent increase in personal computer sales. This decrease adversely affected our sales and results of operations in 2002 and may continue to adversely affect our sales and results of operations for the balance of 2003. If our net sales do not increase in proportion to our operating expenses or if we experience a decrease in net sales for an extended period of time, there would be a material adverse effect on our results of operations in future periods.

We may also experience quarterly fluctuations and seasonality which could impact our business.

Several factors have caused our sales and results of operations to fluctuate and we expect these fluctuations to continue on a quarterly basis. Causes of these fluctuations include:

- changes in the overall level of economic activity;
- changes in the level of business investment in information technology products;
- the condition of the personal computer industry in general;
- shifts in customer demand for hardware and software products;
- industry shipments of new products or upgrades;
- the timing of new merchandise and catalog offerings;
- fluctuations in response rates;
- fluctuations in postage, paper, shipping and printing costs and in merchandise returns;
- adverse weather conditions that affect response, distribution or shipping;
- shifts in the timing of holidays;
- changes in our product offerings;
- changes in consumer demand for information technology products; and
- changes in vendor distribution of products.

We base our operating expenditures on sales forecasts. If revenues do not meet expectations in any given quarter, our operating results could suffer.

In addition, customer response rates for our catalogs and other marketing vehicles are subject to variations. The first and last quarters of the year generally have higher response rates while the two middle quarters typically have lower response rates.

We rely on key government contracts, the loss of which could harm our financial condition. Government contracts are subject to termination for the convenience of the government. The adverse result of a government termination of any of our contracts with the government could have a material adverse effect on our operating performance and financial condition.

We are a party to several significant contracts with state and federal government agencies. Our current arrangements with these government agencies allow them to cancel orders with little or no notice and do not require them to purchase products from us in the future. Moreover, any and all orders relating to the federal government may be subject to renegotiation of profits or termination at the election of the federal government. The loss of one or more of these significant contracts with state and federal government agencies could negatively affect our results of operations and financial condition. Sales to state and federal government agencies represented 25% of our net sales in 2002 and 24% of our net sales for the nine months ended September 30, 2003.

GovConnection has received notice from the GSA canceling its GSA contract, effective on November 15, 2003. GovConnection is not entitled to sell products to federal government entities other than through a competitive bidding process or through "open market" purchases. Sales under this GSA contract accounted for approximately $56 million in revenue and approximately $4.8 million in gross profit for the nine months ended September 30, 2003. GovConnection can, however, continue to sell to federal agencies under an existing separate contract with one of those agencies. We plan to apply for a new GSA contract; however, there is no assurance that the GSA would act favorably on any such application, within a time frame that would avoid a disruption in any sales. As a result, sales to federal government entities may decrease significantly, and net sales, gross profit, income from operations and our cash flow from operations will be adversely affected. In addition, we may be required to pay fees or penalties to the GSA for any such non-compliance.

Factors That May Affect Future Results and Financial Condition – Cont'd.

We face many competitive risks.

The direct marketing industry and the computer products retail business, in particular, are highly competitive. We compete with consumer electronics and computer retail stores, including superstores. We also compete with other direct marketers of hardware and software and computer related products, including an increasing number of Internet retailers. Certain hardware and software vendors are selling their products directly through their own catalogs and over the Internet or have entered into agreements with other direct marketers. We compete not only for customers, but also for co-op advertising support from personal computer product manufacturers. Some of our competitors have greater financial and marketing resources and larger catalog circulations and customer bases and other resources than we do. In addition, some of our competitors offer a wider range of products and services than we do and may be able to respond more quickly to new or changing opportunities, technologies and customer requirements. Many current and potential competitors also have greater name recognition, engage in more extensive promotional activities and adopt more aggressive pricing policies than us. We expect competition to increase as retailers and direct marketers who have not traditionally sold computers and related products enter the industry and as certain hardware and software vendors begin selling their products through other direct marketers.

We cannot assure you that we can continue to compete effectively against our current or future competitors. In addition, price is an important competitive factor in the personal computer hardware and software market and we cannot assure you that we will not face increased price competition. If we encounter new competition or fail to compete effectively against our competitors, our business may be harmed.

In addition, product resellers and direct marketers are combining operations or acquiring or merging with other resellers and direct marketers to increase efficiency. Moreover, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to enhance their products and services. Accordingly, it is possible that new competitors or alliances among competitors may emerge and acquire significant market share.

The methods of distributing personal computers and related products are changing and such changes may negatively impact us and our business.

The manner in which personal computers and related products are distributed and sold is changing, and new methods of distribution and sale, such as online shopping services, have emerged. Hardware and software manufacturers have sold, and may intensify their efforts to sell, their products directly to end users. From time to time, certain manufacturers have instituted programs for the direct sales of large order quantities of hardware and software to certain major corporate accounts. These types of programs may continue to be developed and used by various manufacturers. Some of our vendors, including Apple, HP, and IBM, currently sell some of their products directly to end users and have stated their intentions to increase the level of such direct sales. In addition, manufacturers may attempt to increase the volume of software products distributed electronically to end users. An increase in the volume of products sold through or used by consumers of any of these competitive programs or distributed electronically to end users could have a material adverse effect on our results of operations.

We are exposed to inventory obsolescence due to the rapid technological changes occurring in the personal computer industry.

The market for personal computer products is characterized by rapid technological change and the frequent introduction of new products and product enhancements. Our success depends in large part on our ability to identify and market products that meet the needs of customers in that marketplace. In order to satisfy customer demand and to obtain favorable purchasing discounts, we have and may continue to carry increased inventory levels of certain products. By so doing, we are subject to the increased risk of inventory obsolescence. Also, in order to implement our business strategy, we intend to continue, among other things, to place larger than typical inventory stocking orders, and increase our participation in first-to-market purchase opportunities. We may also participate in end-of-life-cycle purchase opportunities and market products on a private-label basis, which would increase the risk of inventory obsolescence. In addition, we sometimes acquire special purchase products without return privileges. There can be no assurance that we will be able to avoid losses related to obsolete inventory. In addition, manufacturers are limiting return rights and are also taking steps to reduce their inventory exposure by supporting "build to order" programs authorizing distributors and resellers to assemble computer hardware under the manufacturers' brands. These trends reduce the costs to manufacturers and shift the burden of inventory risk to resellers like us which could negatively impact our business.

Factors That May Affect Future Results and Financial Condition – Cont'd.

We acquire products for resale from a limited number of vendors; the loss of any one of these vendors could have a material adverse effect on our business.

We acquire products for resale both directly from manufacturers and indirectly through distributors and other sources. The five vendors supplying the greatest amount of goods to us constituted 64% and 71% of our total product purchases in the nine-month periods ended September 30, 2003 and 2002, respectively. Among these five vendors, purchases from Ingram Micro, Inc. represented 22% and 31% of our total product purchases in the nine-month periods ended September 30, 2003 and 2002, respectively. Purchases from Tech Data Corporation comprised 15% of our total product purchases in both the nine-month periods ended September 30, 2003 and 2002. Effective May 3, 2002, Hewlett-Packard Company (HP) completed its acquisition of Compaq Computer Corporation. Had this acquisition been completed at the beginning of the periods presented, our purchases made directly from HP, on a pro forma basis, would have constituted 16% and 15% of our total product purchases in the nine-month periods ended September 30, 2003 and 2002, respectively. No other vendor supplied more than 10% of our total product purchases in the nine-month periods ended September 30, 2003 and 2002. If we were unable to acquire products from Ingram, Tech Data or HP, we could experience a short-term disruption in the availability of products and such disruption could have a material adverse effect on our results of operations and cash flows.

Substantially all of our contracts and arrangements with our vendors that supply significant quantities of products are terminable by such vendors or us without notice or upon short notice. Most of our product vendors provide us with trade credit, of which the net amount outstanding at September 30, 2003 was $118.3 million. Termination, interruption or contraction of relationships with our vendors, including a reduction in the level of trade credit provided to us, could have a material adverse effect on our financial position.

Some product manufacturers either do not permit us to sell the full line of their products or limit the number of product units available to direct marketers such as us. An element of our business strategy is to continue to increase our participation in first-to-market purchase opportunities. The availability of certain desired products, especially in the direct marketing channel, has been constrained in the past. We could experience a material adverse effect to our business if we are unable to source first-to-market purchase or similar opportunities, or if we face the reemergence of significant availability constraints.

We may experience a reduction in the incentive programs offered to us by our vendors.

Some product manufacturers and distributors provide us with incentives such as supplier reimbursements, payment discounts, price protection, rebates and other similar arrangements. The increasingly competitive computer hardware market has already resulted in the following:

- reduction or elimination of some of these incentive programs;
- more restrictive price protection and other terms; and
- reduced advertising allowances and incentives, in some cases.

Many product suppliers provide us with co-op advertising support and in exchange we feature their products in our catalogs. This support significantly defrays our catalog production expense. In the past, we have experienced a decrease in the level of co-op advertising support available to us from certain manufacturers. The level of co-op advertising support we receive from some manufacturers may further decline in the future. Such a decline could increase our selling, general and administrative expenses as a percentage of sales and have a material adverse effect on our cash flows.

Factors That May Affect Future Results and Financial Condition – Cont'd.

We had experienced rapid growth in recent years followed by a decline in sales in 2002 and 2001, and there is no assurance that we will be able to regain such growth.

Our net sales grew from $749.9 million for the year ended December 31, 1998 to $1.44 billion for the year ended December 31, 2000. In the years ended December 31, 2001 and 2002, our net sales declined to $1.19 billion. We believe we would have experienced a greater decline in our net sales for 2002 if it had not been for our acquisition of MoreDirect. Our growth in previous years placed increasing demands on our administrative, operational, financial and other resources. Our staffing levels and operating expenses increased substantially in recent years due to our sales forecasts. In 2001 and 2002, we engaged in workforce reductions due to the decline in our net sales during those periods. If our revenues continue to decline, we may not be able to reduce our staffing levels and operating expenses in a timely manner to meet our needs. Moreover, we can provide no assurance that we will be able to regain rapid growth in the near future.

We face and will continue to face significant price competition.

Generally, pricing is very aggressive in the personal computer industry and we expect pricing pressures to continue. An increase in price competition could result in a reduction of our profit margins. There can be no assurance that we will be able to offset the effects of price reductions with an increase in the number of customers, higher sales, cost reductions or otherwise. Also, our sales of personal computer hardware products are generally producing lower profit margins than those associated with software products. Such pricing pressures could result in an erosion of our market share, reduced sales and reduced operating margins, any of which could have a material adverse effect on our business.

We could experience system failures which would interfere with our ability to process orders.

We depend on the accuracy and proper use of our management information systems including our telephone system. Many of our key functions depend on the quality and effective utilization of the information generated by our management information systems, including:

- our ability to manage inventory and accounts receivable collection;
- our ability to purchase, sell and ship products efficiently and on a timely basis; and
- our ability to maintain operations.

Interruptions could result from natural disasters as well as power loss, telecommunications failure and similar events.

Our management information systems require continual upgrades to most effectively manage our operations and customer database. Although we maintain some redundant systems, with full data backup, a substantial interruption in management information systems or in telephone communication systems would substantially hinder our ability to process customer orders and thus could have a material adverse effect on our business.

Factors That May Affect Future Results and Financial Condition – Cont'd.

We rely on the continued development of electronic commerce and Internet infrastructure development.

We have had an increasing amount of sales made over the Internet in part because of the growing use and acceptance of the Internet by end-users. No one can be certain that acceptance and use of the Internet will continue to develop or that a sufficiently broad base of consumers will adopt and continue to use the Internet and other online services as a medium of commerce. Sales of computer products over the Internet do not currently represent a significant portion of overall computer product sales. Growth of our Internet sales is dependent on potential customers using the Internet in addition to traditional means of commerce to purchase products. We cannot accurately predict the rate at which they will do so.

Our success in growing our Internet business will depend in large part upon the development of an infrastructure for providing Internet access and services. If the number of Internet users or their use of Internet resources continues to grow rapidly, such growth may overwhelm the existing Internet infrastructure. Our ability to increase the speed with which we provide services to customers and to increase the scope of such services ultimately is limited by and reliant upon the speed and reliability of the networks operated by third parties and these networks may not continue to be developed.

We depend heavily on third party shippers to deliver our products to customers.

We ship approximately 70% of our products to customers by Airborne Freight Corporation D/B/A "Airborne Express," with the remainder being shipped by United Parcel Service of America, Inc. and other overnight delivery and surface services. A strike or other interruption in service by these shippers could adversely affect our ability to market or deliver products to customers on a timely basis.

We may experience potential increases in shipping, paper and postage costs, which may adversely affect our business if we are not able to pass such increases on to our customers.

Shipping costs are a significant expense in the operation of our business. Increases in postal or shipping rates and paper costs could significantly impact the cost of producing and mailing our catalogs and shipping customer orders. Postage prices and shipping rates increase periodically and we have no control over future increases. We have a long-term contract with Airborne Express whereby Airborne ships products to our customers. We believe that we have negotiated favorable shipping rates with Airborne. We generally invoice customers for shipping and handling charges. There can be no assurance that we will be able to pass on to our customers the full cost, including any future increases in the cost, of commercial delivery services such as Airborne.

We also incur substantial paper and postage costs related to our marketing activities, including producing and mailing our catalogs. Paper prices historically have been cyclical and we have experienced substantial increases in the past. Significant increases in postal or shipping rates and paper costs could adversely impact our business, financial condition and results of operations, particularly if we cannot pass on such increases to our customers or offset such increases by reducing other costs.

Privacy concerns with respect to list development and maintenance may materially adversely affect our business.

We mail catalogs and send electronic messages to names in our proprietary customer database and to potential customers whose names we obtain from rented or exchanged mailing lists. World-wide public concern regarding personal privacy has subjected the rental and use of customer mailing lists and other customer information to increased scrutiny. Any domestic or foreign legislation enacted limiting or prohibiting these practices could negatively affect our business.

We face many uncertainties relating to the collection of state sales or use tax.

We presently collect sales tax on sales of products to residents in many states. Taxable sales to customers were approximately 27% of our net sales during the year ended December 31, 2002 and approximately 25% for the nine months ended September 30, 2003. Various states have sought to impose on direct marketers the burden of collecting state sales taxes on the sales of products shipped to their residents. In 1992, the United States Supreme Court affirmed its position that it is unconstitutional for a state to impose sales or use tax collection obligations on an out-of-state mail order company whose only contacts with the state are limited

Factors That May Affect Future Results and Financial Condition – Cont'd.

distribution of catalogs and other advertising materials through the mail and the subsequent delivery of purchased goods by United States mail or by interstate common carrier. However, legislation that would expand the ability of states to impose sales tax collection obligations on direct marketers has been introduced in Congress on many occasions. Due to its presence on various forms of electronic media and other factors, our contact with many states may exceed the contact involved in the Supreme Court case. We cannot predict the level of contact that is sufficient to permit a state to impose on us a sales tax collection obligation. If the Supreme Court changes its position or if legislation is passed to overturn the Supreme Court's decision, the imposition of a sales or use tax collection obligation on us in states to which we ship products would result in additional administrative expenses to us, could result in price increases to our customers, and could reduce demand for our product.

We are dependent on key personnel.

Our future performance will depend to a significant extent upon the efforts and abilities of our senior executives. The competition for qualified management personnel in the computer products industry is very intense, and the loss of service of one or more of these persons could have an adverse effect on our business. Our success and plans for future growth will also depend on our ability to hire, train and retain skilled personnel in all areas of our business, including sales account managers and technical support personnel. There can be no assurance that we will be able to attract, train and retain sufficient qualified personnel to achieve our business objectives.

We are controlled by two principal stockholders.

Patricia Gallup and David Hall, our two principal stockholders, beneficially own or control, in the aggregate, approximately 70% of the outstanding shares of our common stock. Because of their beneficial stock ownership, these stockholders can continue to elect the members of the Board of Directors and decide all matters requiring stockholder approval at a meeting or by a written consent in lieu of a meeting. Similarly, such stockholders can control decisions to adopt, amend or repeal our charter and our bylaws, or take other actions requiring the vote or consent of our stockholders and prevent a takeover of us by one or more third parties, or sell or otherwise transfer their stock to a third party, which could deprive our stockholders of a control premium that might otherwise be realized by them in connection with an acquisition of us. Such control may result in decisions that are not in the best interest of our public stockholders. In connection with our initial public offering, the principal stockholders placed substantially all shares of common stock beneficially owned by them into a voting trust, pursuant to which they are required to agree as to the manner of voting such shares in order for the shares to be voted. Such provisions could discourage bids for our common stock at a premium as well as have a negative impact on the market price of our common stock.

PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We invest cash balances in excess of operating requirements in short-term securities, generally with maturities of 90 days or less. In addition, our unsecured credit agreement provides for borrowings which bear interest at variable rates based on the prime rate. We had no borrowings outstanding pursuant to our credit agreement as of September 30, 2003. We believe that the effect, if any, of reasonably possible near-term changes in interest rates on our financial position, results of operations and cash flows should not be material. Our credit agreement exposes earnings to changes in short-term interest rates since interest rates on the underlying obligations are variable. However, as noted above, there were no borrowings outstanding on the credit agreement at September 30, 2003. A change in earnings resulting from a hypothetical 10% increase or decrease in interest rates is not material.

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PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 4 - CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2003. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, except for the findings in the following paragraph, as of September 30, 2003, our disclosure controls and procedures were (1) designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our Chief Executive Officer and Chief Financial Officer by others within those entities, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

On November 14, 2003 we received final notification from the GSA that our GovConnection subsidiary's contract with the GSA was to be cancelled. Our management has met several times with the GSA and has concluded that such cancellation notice was precipitated by an audit of contractual compliance. We have not received an audit report or received a claim from the GSA concerning amounts that might be owed pursuant to this audit, although we have undertaken our own internal review of our government contracting processes. We believe that there are current deficiencies in the control structure as it relates to the identification and qualification of products authorized for sale under the GSA contract and the pricing and reporting of contract sales and payment of fees required under the GSA contract. We have taken, or are taking the following remedial actions to correct such deficiencies and believe that, by the end of the fourth quarter of 2003 the deficiencies that were identified will be resolved:

- We have engaged an independent accounting firm to perform a compliance audit of our government contracting systems and procedures, and we will implement the necessary changes identified by that audit.
- We also have contracted for extensive training of our government sales and support personnel on government compliance and contracting requirements.
- We have implemented system modifications allowing us to better track sales under contracts.
- We have established a comprehensive action plan to perform regular ongoing reviews of every aspect of GovConnection's operations, organization, systems and practices.
- We have replaced the leadership of GovConnection with a new Chief Executive Officer who has extensive knowledge and experience with government purchasing and contracting.

The Company has already performed a variety of its own preliminary internal audit procedures in order to ascertain whether GovConnection conformed to the terms of the contract and has assessed whether or not its findings would call into question the propriety of its financial statements that have been filed in the past. It is management's judgment, based on a review of transactions undertaken by itself and a third-party consultant, that any errors that may be identified in the audit report would have little, if any, impact on the Company's historical financial statements. Any financial statement exposure that is likely to exist will be prospective in nature – that is, it will arise from penalties and assessments or differences in interpretation relative to certain contractual language - and will thus be recorded in future periods.

Apart from the matter discussed above, no change in our internal control over financial reporting (as defined in Rules 13a – 15(f) and 15d – 15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PC CONNECTION, INC. AND SUBSIDIARIES
Part II – Other Information

Item 1 – Legal Proceedings

Not applicable.

Item 2 – Changes in Securities and Use of Proceeds

Not applicable.

Item 3 – Defaults Upon Senior Securities

Not applicable.

Item 4 – Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5 – Other Information

Not applicable.

Item 6 – Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Description
10.61 (+)	National Account Agreement between Airborne Express, Inc. and Merrimack Services Corporation d/b/a PC Connection Services, dated June 2, 2003.
15	Letter on unaudited interim financial information.
31.1	Certification of the Company's Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Company's Senior Vice President of Finance and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Company's Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Company's Senior Vice President of Finance and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(+)	Confidential treatment requested for this agreement.

(b) **Reports on Form 8-K**

(I) On July 23, 2003, the Company furnished a Current Report on Form 8-K under Item 9, containing a copy of its earnings release for the period ended June 30, 2003, (including financial statements) pursuant to Item 12 (Results of Operation and Financial Condition).

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PC CONNECTION, INC. AND SUBSIDIARIES
September 30, 2003

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

	PC CONNECTION, INC. AND SUBSIDIARIES
November 20, 2003	By: /S/ PATRICIA GALLUP
	Patricia Gallup Chairman and Chief Executive Officer
November 20, 2003	By: /S/ MARK GAVIN
	Mark Gavin Senior Vice President of Finance and Chief Financial Officer

Confidential Materials omitted and filed separately with the
Securities and Exchange Commission. Asterisks denote omissions.

Exhibit 10.61

NATIONAL ACCOUNT AGREEMENT

BETWEEN

AIRBORNE EXPRESS, INC.

AND

MERRIMACK SERVICES CORPORATION

d/b/a

P C CONNECTION SERVICES

THIS AGREEMENT made as of the 2 day, of June 2003 YEAR, by and between Airborne Express, Inc. (hereinafter designated as "CARRIER"), and Merrimack Services Corporation (hereinafter designated as "SENDER").

W I T N E S S E T H

WHEREAS, CARRIER is in the air freight forwarding, air express and ground transportation business and is willing and able to provide transportation services to SENDER; and

WHEREAS, SENDER has a need and desire to use said services of CARRIER;

NOW, THEREFORE, in consideration of the mutual premises and covenants hereinafter set forth, the parties agree as follows:

ARTICLE 1. SCOPE

This Agreement covers the transportation of shipments on behalf of SENDER by CARRIER, whether acting as a freight forwarder, a direct air carrier or a motor carrier. CARRIER shall be responsible for the transportation of each shipment from the point of origin at which the shipment is tendered to it to the delivery to the receiver at point of destination. This Agreement includes shipments by those subsidiaries of SENDER in which 50% or more ownership is maintained. Subsidiaries in which less than 50% ownership is maintain may be added by mutual agreement and an addendum to this Agreement in the form attached hereto as Schedule A and executed by the parties.

ARTICLE 2. EFFECTIVE DATE AND DURATION OF AGREEMENT

This Agreement shall commence upon the date first written above and shall remain in force and effect until September 11, 2005 unless terminated sooner by either party in accordance with Article 18 of this Agreement.

ARTICLE 3. TENDER AND TRANSPORTATION OF GOODS

CARRIER shall receive from SENDER such shipments as may be tendered from time to time for transportation. CARRIER shall make all reasonable effort to deliver on a timely basis.

ARTICLE 4. CARRIER REQUIREMENTS TO PROVIDE SERVIC~

For the purpose of providing the transportation services described in this Agreement, CARRIER, at its cost and expense, shall provide, furnish and/or operate equipment and control systems and shall obtain all necessary licenses to operate the same and/or furnish such services, and shall bear all costs necessary for the proper performance of the transportation services herein provided.

ARTICLE 5. COMPENSATION AND RATES

SENDER shall pay to CARRIER as compensation for the services rendered by CARRIER in accordance with the rates and charges set forth in the schedules and supplements thereto attached to this Agreement. Each schedule or supplement shall be executed by the parties, and upon execution, shall become a part of this Agreement. Schedules may only be amended in writing by both parties. The rates set forth in the attached Schedule (B) reflect a discount for volume, based upon domestic net freight charges tendered by SENDER, calculated at CARRIER's published net rates in effect at the time of the shipments. Rates for Express, Next Afternoon, Second Day Services will increased by [**]%, Ground Delivery Services rates will increase to Airborne's 2003 base tariff rate with a $[**] minimum, Letter Express to 15 pounds will have a [**]% discount and 16 pounds and over will receive a [**]% discount and will be in effect from September 11, 2003 until September 11, 2005. Agreed upon rates and charges will be among the best offered by the carrier for customers in like industry, purchasing similar services, with similar volumes and similar shipping characteristics.

(A) Incentive Program: SENDER and CARRIER agree that the incentive programs set forth in this Agreement are applicable providing SENDER meets and maintains volume requirements; there will be a quarterly refund of [**]%, for the first contract year of net domestic revenue if total revenue of all products exceeds [**] dollars ($[**]) and [**]%, the second contract year, if revenue for all products exceeds [**] dollars ($[**]). SHIPPER and CARRIER agree that the current refund program expires September 11, 2003 but shall be renewed effective September 12, 2003 for a period of two (2) years.

(B) Fuel Surcharge: Effective September 11, 2003 CARRIER agrees to a fuel surcharge of [**] percent ([**]%) of our published fuel surcharge. CARRIER agrees to provide thirty (30) days written notice and negotiate in good faith if SHIPPER fuel surcharges exceed [**] percent ([**]%).

(C) [**]: Effective January 1, 2004 CARRIER agrees to a [**] excluding [**] for [**] as [**]CARRIER's web based service guide for [**] and [**] The [**] excludes [**] in CARRIER's web based service guide [**]

The [**], set forth below, shall be [**] and is [**]. The [**] shall be [**] as follows: The [**] shall be determined for [**]. For [**] shall be used. [**] and [**] shall be based on the [**]. The [**] for [**] and [**] and [**] shall be [**].

Example for [**]: [**] total [**]% at [**] total [**]% at [**] = [**] verses [**] of [**] + [**] = [**], take [**] divided by [**] to come to [**]% [**].

[**]	[**]
[**]% +	[**]% [**]

[**]% - [**]%	[**]% [**]
[**]% - [**]%	[**]% [**]
[**]%	[**]% [**]

(D) [**]: Effective June 1, 2003 CARRIER agrees to [**] as set forth below. The [**] shall be [**] prior to [**] and a [**] from the [**]. The [**] shall be [**] that will include the [**], [**] and [**]. That [**] will be [**] to the [**] to [**].

[**]	[**]% [**]
$[**]	[**]% [**]
$[**]	[**]% [**]
$[**]	[**]% [**]
$[**]	[**]% [**]
$[**]	[**]% [**]
$[**]	[**]% [**]

Example: "If [**] for [**] is $[**], the [**] is $[**], and the [**] are $[**] for a [**] then the [**] would be $[**] ($[**] - $[**] @ [**]%). "

ARTICLE 6. INVOICING

CARRIER will submit invoices to SENDER on a weekly basis for services provided. Payment is due in CARRIER's Seattle Corporate Office on or before the [**]th day from date of original billing. In the event there exists a bona fide dispute regarding amounts due on specific invoices, SENDER shall pay the undisputed items and shall promptly report the disputed items to CARRIER. SENDER shall pay the amount mutually agreed to be due on any disputed invoices within [**] days after resolution of the dispute.

SENDER agrees to provide a list of accounts, including complete name and address, to be covered by this Agreement. CARRIER must be notified in writing of any changes and/or additions to the address listing at least [**] business days prior to shipment activity to ensure assignment of customer number and appropriate coding. SENDER's Airborne-assigned customer number must be used on the shipping document as the bill-to party in order for the attached rates to apply and revenue credit to be counted.

ARTICLE 7. CARRIER INDEMNIFICATION

CARRIER shall indemnify and hold harmless SENDER from any and all claims for death of or injury to persons or property (other than shipments) to the extent arising out of CARRIER's negligent or willful acts or omissions of CARRIER's officers, employees and agents in the transportation of the goods of SENDER.

CARRIER shall maintain such insurance as is required by law, rules and regulations of all governmental bodies and agencies. CARRIER shall not be liable for any loss or damage caused by or resulting from the willful or negligent act(s) or omission(s) of SENDER, its officers, agents or employees.

ARTICLE 8. CARRIER RESPONSIBILITY

(A) CARRIER shall be responsible for all state, federal and local taxes imposed upon or arising out of the transportation services provided hereunder.

(B) CARRIER shall at all times comply with all applicable federal, state and local laws and the regulations of the respective regulatory bodies having jurisdiction. It is agreed that CARRIER shall at all times be an independent contractor and not an agent of SENDER.

ARTICLE 9. CONDITIONS OF CONTRACT

Shipments transported hereunder shall be subject to the conditions of this Agreement; however, for conditions not covered in this Agreement, the Conditions of Contract shall be those set forth on the CARRIER's airbill or waybill (" Airbill") whether or not the SENDER and CARRIER have mutually agreed to receive shipments on Airbills or alternative documents. The Conditions of Contract incorporate by reference the rules and regulations of CARRIER's tariffs, which are available for inspection at CARRIER's offices.

ARTICLE 10. RECEIPT OF GOODS

The Airbill executed by CARRIER and SENDER at the time of tender of the shipment to CARRIER will constitute a receipt for SENDER's goods unless the parties agree to another form of pickup receipt. CARRIER shall obtain signatures for shipments upon delivery to the receiver; however, for delivery to a receiver's residence when the declared or Asset Protection value is less than $500.00, a written receipt may not be obtained if no one is present to accept the shipment.

ARTICLE 11. SHIPPING VOLUME

The rates herein stipulated are based upon an anticipated volume of shipments by SENDER and the intent that, except as otherwise specifically agreed upon, SENDER will tender the majority of all shipments to Airborne Express. Notwithstanding the foregoing, SENDER may from time to time use the services of other carriers to meet delivery requirements. The parties agree to confer if SENDER reasonably believes that its shipment transportation needs are not being met as to specific pickup and delivery locations.

ARTICLE 12. MANAGEMENT REPORTS

CARRIER will provide monthly management reports containing shipping and savings activity by originating location and other relevant information as agreed upon.

ARTICLE 13. NON TRANSFER OF AGREEMENT

This Agreement is not transferable or assignable by either party without the prior written approval of the other.

ARTICLE 14. ACCEPTANCE OF SHIPMENTS

CARRIER will make its best *effort* to provide the best pick up times in the park location.

CARRIER will reject a shipment prior to the performance *of* any transportation from origin when it reasonably appears to CARRIER that such shipment is improperly packed or packaged. In the case *of* rejection, CARRIER will promptly notify SENDER at origin *of* said rejection and will return shipment to SENDER for repackaging.

ARTICLE 15. LIMITATIONS OF LIABILITY

At the time *of* shipment, unless a higher value is declared or Asset Protection purchased and an additional charge paid, CARRIER's liability, if any, for shipments lost, damaged or otherwise adversely affected while in the care, custody and control *of* CARRIER, shall except in the event *of* grossly negligent or willful acts or omissions, be limited to the lowest *of* the following:

(1) actual value;

(2) for a Letter Express shipment, $100;

(3) for all other shipments, $100 per piece (domestic U.S.) or $20.00 per kilogram per piece (international and Canadian).

Asset Protection is not available for Ground Delivery Service (IIGDS").

CARRIER shall not be liable for any special, incidental or consequential damages including, but not limited to, loss of profits or income, whether or not CARRIER had knowledge that such damages might be incurred.

(B) SENDER agrees to comply with the Conditions of Contract set forth in CARRIER's airbill and the rules and regulations of CARRIER's tariffs, including without limitation, the following:

(1) Domestic Claims

All claims for loss or damage must be in writing and received by CARRIER within ninety (90) days [nine (9) months for GDS shipments] after the date of acceptance of the shipment by CARRIER, and all damage and/or loss discovered by the receiver after delivery, and after a clear receipt has been given to CARRIER, must be reported in writing to CARRIER within fifteen (1 5) days after delivery, provided that, if SENDER purchases Asset Protection, such claims and reports may be received by CARRIER within one (1) year after acceptance of the shipment by CARRIER. Legal action to enforce a claim must be brought by SENDER within one (1) year [two (2) years for GDS shipments] after the claim has been denied in writing by CARRIER.

(2) Claims for delay may not be filed in lieu of the Service Performance Refund as set forth in Article 5 of this Agreement effective January, 1, 2004 until January 1, 2006.

(3) CARRIER agrees that any domestic claims filed against it hereunder will be paid, declined, or a compromise offer in writing will be made, within thirty (30) days of the date the complete claim is filed by SENDER. If any such completed claim cannot be processed and disposed of within thirty (30) days after receipt thereof, CARRIER shall at that time and at the expiration of each succeeding thirty (30) day period while such claim remains pending advise SENDER in writing of the status of such claim.

(4) International Claims (including Canada)

All claims for reimbursement, except overcharges, must be in writing and received by CARRIER within one hundred twenty (120) days after acceptance of the shipment by CARRIER, provided that, if SENDER purchases Asset Protection, complaints for loss or damage must be received by CARRIER within one (1) year after shipment acceptance. In addition, in case of damage SENDER must give CARRIER a written complaint either on the airbill or by a separate notice within seven (7) days, or, if based on Warsaw amendment, fourteen (14) days after delivery of the shipments, provided that, if SENDER purchases Asset Protection, such complaint must be received by CARRIER within one (1) year after acceptance of the shipment by CARRIER. In addition, in case of delay, SENDER must give CARRIER a written complaint either on the airbill or by separate notice no later than fourteen (14) days from the date of delivery or refusal of the shipment. CARRIER will not pay any claims until the transportation charges have been paid. SENDER may not deduct the amount of the claim from those charges. Legal action to enforce a claim, other than overcharge, must be brought within two (2) years after the claim has been denied, in whole or part, by CARRIER.

(5) Claims for both domestic and international overcharges must be made in writing to CARRIER within one (1) year after the date of acceptance of the shipment by CARRIER. The amount of an overcharge claim may not be deducted from transportation charges.

ARTICLE 16. CARRIER'S LIEN

CARRIER shall have a lien on the shipment, so long as the shipment remains in its possession, for all amounts due for transportation services in connection with the shipment. This lien may be enforced by public or private sale of the shipment, as a whole or in part, at any time or place or on any terms which are commercially reasonable, after notifying SENDER thereof.

ARTICLE 17. LABOR DISPUTES

Whenever an actual or potential labor dispute is delaying or threatens to delay the timely performance by CARRIER, CARRIER will immediately give notice thereof to SENDER. Such notice will include all relevant information with respect to such dispute. Notwithstanding other conditions of the agreement, in the event the CARRIER is unable to make pickups and/or deliveries the SENDER will be permitted to use another carrier without violation of this agreement.

ARTICLE 18. TERMINATION

SENDER or CARRIER may terminate this Agreement upon [**] days written notice to the other party in the event of any material breach of any of the provisions of this Agreement which remains uncured [**] days after written notice of breach. SHIPPER's sole remedy for material breach of this Agreement is SHIPPER' right to terminate this Agreement pursuant to Article 18.

ARTICLE 19. NOTICES

All notices which may be given in connection with this Agreement shall be in writing, shall either be sent postage prepaid by certified mail with return receipt requested or by air express carrier service addressed to the other party at its address shown below and shall be deemed to have been given when so sent:

SENDER	CARRIER
Merrimack Services Corporation	Airborne Express, Inc.
730 Milford Rd.	P.O. Box 662
Merrimack, NH 03054	Seattle, WA 98111

Attn: Steve Baldridge Manager	Attn: Customer Contracts

ARTICLE 20. MODIFICATION OF AGREEMENT

No waiver, alteration or modification of the terms and conditions of this Agreement shall be binding unless in writing and signed by a duly authorized agent of CARRIER and SENDER.

ARTICLE 21. GENERAL TERMS AND CONDITIONS

(A) Paragraph headings herein are for information only and are not to be considered as part of this Agreement.

(B) A waiver by either party of any default of the other party shall not be deemed or considered as a waiver of a like default thereafter.

(C) No gratuities (in the form of entertainment, gifts of value or otherwise) shall be offered or given by one party to any officer or employee of the other party with a view toward securing a contract or securing favorable treatment with respect to the awarding of or the making of any determination with respect to the performance of such contracts.

(D) In the event of the imposition of any new or additional tax or fee on the transportation of shipments, and CARRIER desires to increase its rates to include such new or additional tax or fee, CARRIER shall give SENDER prior written notice of the rate change and the effective date thereof, which shall not be less than thirty (30) days from the date of the notice.

(E) Except as provided in Article 16 hereof, or as authorized by SENDER in writing, CARRIER shall not encumber, lease or otherwise dispose of any part of the shipments transported hereunder.

(F) Except as otherwise required by law, SENDER and CARRIER agree to maintain the confidentiality of the provisions of this Agreement, and shall not disclose its contents to any other person, firm or individual, except to their respective auditors and accountants, without prior written consent of the other.

(G) The invalidity of any provision of this Agreement shall not invalidate any remaining provision, and all valid terms and conditions of this Agreement shall be read as if the invalid terms and conditions were not present.

(H) This Agreement supersedes any prior written or oral agreements between the parties pertaining to the subject matter hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed.

MERRIMACK SERVICES CORP.		AIRBORNE EXPRESS, INC.	
(SENDER)		(CARRIER)	
By:	/s/ Steve Baldridge	By:	/s/ Richard F. Corrado
	Steve Baldridge		Richard F. Corrado
Date:	8/11/03	Date:	
Title:	VP of Finance and Corporate Controller	Title:	Sr. Vice President, Marketinq

SCHEDULE A

TO

NATIONAL ACCOUNT AGREEMENT

Name of SENDER: PC Connection, Inc.
PC Connection Sales Corporation
Merrimack Services Corporation
PC Connection Sales of Massachusetts, Inc.
Comteq Federal, Inc.
Comteq Federal of New Hampshire
GovConnection
More Direct

Name(s) and address(es) of subsidiaries of SENDER:
730 Milford Road
Merrimack, NH 03054

Effective date of addition of subsidiaries to National Account Agreement:

DATED this ______ day of __________, 200__.

SENDER:		CARRIER	
Merrimack Services Corporation		AIRBORNE EXPRESS, INC.	
By:	/s/ Steve Baldridge	By:	/s/ Richard F. Corrado
	Steve Baldridge		Richard F. Corrado
Date:	8/11/03	Date:	
Title:	VP of Finance and Corporate Controller	Title:	Sr. Vice President, Marketinq

Schedule A

P C CONNECTION ACCOUNT NUMBER LISTING

AID	ACCT	CONSOL	EXCHANGE	PC FLAG	NAME	EXT
*YC	[**]	0			P C CONNECTION SERVICES	RTE 101A MSF555
*YC	[**]	0		LIBRA	P C CONNECTION SERVICES	
*YC	[**]	56665954	SHIP EXC	LIBRA	P C CONNECTION SERVICES	
*YC	[**]	0			*PC CONNECTION SERVICES	
*YC	[**]	0		LIBRA	PC CONNECTION	INTL LIBRA
*YC	[**]	0		CUSTSYS	P C CONNECTION SERVICES	
*YC	[**]	0		CUSTSYS	P C CONNECTION SERVICES	
*YC	[**]	0			P C CONNECTION SERVICES	LIBRA
*YC	[**]	56665954			GOVCONNECTION	
*YC	[**]	0			P C CONNECTION SERVICES	STE 101 A
*YC	[**]	0			*P C CONNECTION SERVICE	*LINKAGE*
*YC	[**]	0		CUSTSYS	P C CONNECTION SERVICES	CUSTOMER SVC 1
*YC	[**]	0		LIBRA	P C CONNECTION SERVICES	
*YC	[**]	0		CUSTSYS	P C CONNECTION SERVICES	LIBRA 3
*YC	[**]	0			P C CONNECTION SERVICES	
*YC	[**]	0		LIBRA	P C CONNECTION SERVICES	B 3 OFFICE
*YC	[**]	0			.PC CONNECTION SERVICE	RETURNS DEPT BLDG 4
*YC	[**]	0			P C CONNECTION SERVICES	
*YC	[**]	0			PC CONNECTION	
*YC	[**]	0			P C CONNECTION	
*YC	[**]	0			P C CONNECTION	
*YC	[**]	0		CUSTSYS	*PC CONNECTION SERVICES	LINKAGE
*YC	[**]	0			P C CONNECTION SVC R3	DEPOT REPAIR
*YC	[**]	0			P C CONNECTION SVCS	BLDG 4
*YC	[**]	0		CUSTSYS	P C CONNECTION SERVICES	
*YC	[**]	0		CUSTSYS	P C CONNECTION SERVICES	THIRD PARTY BILLING
*YC	[**]	0			P C CONNECTION SVCS	PC REPAIR SVC
	[**]					
	[**]					

ADDRESS	CITY	ST	ZIP	CONTACT	PHONE	CTL STA
730 MILFORD RD	MERRIMACK	NH	03054		0	MHT
8 OPTICAL AVE	KEENE	NH	03431	MS ALLISON NORMANT	6033550010	MHT
2870 OLD STATE RT 73	WILMINGTON	OH	45177	DON KINCAID	6033529772	ISX
2870 OLD ST RT 73	WILMINGTON	OH	45177	DON KINCAID	9373824299	ISX
2870 OLD STATE RT 73	WILMINGTON	OH	45177	MR DON KINCAID	9373824800	ISX
6 MILL ST	MARLOW	NH	03456		3105326300	MHT
450 MARLBOROUGH ST	KEENE	NH	03431		0	MHT
2870 OLD STATE RT 73	WILMINGTON	OH	45177		0	ISX
7503 STANDISH PL	ROCKVILLE	MD	20855	MR SCOTT SHALMAN	3013401100	RKV
730 MILFORD RD RT	MERRIMACK	NH	03054		0	MHT
450 MARLBORO ST	KEENE	NH	03431		0	MHT
450 MARLBORO ST	KEENE	NH	03431	MS. KATHY RICARD	6033529772	MHT
730 MILFORD	MERRIMACK	NH	03054	MR DOUG CONNER	6036832203	MHT
450 MARLBORO ST	KEENE	NH	03431	LEANN KIRN	6033529772	MHT
2840 OLD STATE RT 73	WILMINGTON	OH	45177		0	ISX
2870 OLD STATE RTE 73	WILMINGTON	OH	45177		0	ISX
2841 OLD STATE ROUTE 73	WILMINGTON	OH	45177	MR DON KINCAID	9373824800	ISX
3330 STATE RTE 73 S	WILMINGTON	OH	45177	MR. . .	0	ISX
294 OLD STATE RTE 73	WILMINGTON	OH	45177		0	ISX
3900 W M RICHARDSON CT	SOUTH BEND	IN	46628		0	SBN
22985 NW EVERGREEN PKWY	HILLSBORO	OR	97124		0	WPO
2870 OLD ST RT 73	WILMINGTON	OH	45177	DON KINCAID	9373824299	ISX
2901 OLD STATE RTE 73	WILMINGTON	OH	45177	LARRY BRITAIN	9373824800	ISX
2841 OLD ST RTE 73	WILMINGTON	OH	45177	MR. . .	0	ISX
2870 OLD ST RT 73	WILMINGTON	OH	45177	DON KINCAID	9373824299	ISX
2870 OLD ST RT 73	WILMINGTON	OH	45177		0	ISX
100 P VICAL FIVE	KEENE	NH	03431	MR. . .	0	MHT

ACCOUNTING CONTROL	ADD DATE	LAST SHIP DATE
	12/9/1983	4/15/2003
	12/7/1988	6/27/2003
	9/19/1990	6/29/2003
	9/26/1990	6/25/2003
	10/28/1991	7/9/2003
	4/17/1992	10/31/2001
	1/12/1993	2/12/2003
	7/22/1993	1/23/2003
	6/21/1995	6/27/2003
	10/7/1996	6/3/2003
	10/24/1996	00/00/00
	7/2/1997	12/4/1998
	10/8/1998	6/27/2003
	11/11/1998	00/00/00
	1/28/2000	6/27/2003
	2/29/2000	2/12/2003
	4/13/2000	6/27/2003
	6/5/2000	4/2/2001
	2/28/2001	6/17/2003
	6/11/2001	8/30/2001
	8/6/2001	8/1/2001
	9/6/2001	6/29/2003
	10/11/2001	00/00/00
	4/15/2002	6/24/2003
	6/11/2002	6/28/2003
	8/27/2002	7/2/2003
	3/31/2003	00/00/00

SCHEDULE B

P C Connection

SCHEDULE B

Application of Rates and Charges

Fees and Charges apply as outlined in Airborne's Service Guide and Tariff current at time of shipment, with the following exceptions:

Call in pickup fee: [**]
COD fee: $[**]
Delivery Area Surcharge Commercial - Air: [**]
Delivery Area Surcharge Commercial - Ground: $[**]
Delivery Area Surcharge Residential - Air:[**]
Delivery Area Surcharge Residential - Ground: $[**]
Dim Factor, Air: [**]
Express/NAS rates [**]
Residential Delivery - Air: [**]
Residential Delivery - Ground: $[**]
Saturday Delivery to Bold Red Points: [**]
Saturday Delivery to Bold Black Points: $[**]
Saturday Pickup from Bold Red Points: $[**]
Signature Required Fee: [**]
Weekly Service Fee: [**]
Prod (No Freight): $[**]
Off Shore Charges: $[**] ltr, $[**] 1-99lbs and $[**] 100lbs +.
Address Correction Fee: $[**]

Residential shipments may not exceed [**]% of total shipments in any given month. Reselling is prohibited.

For more information, please consult the Airborne service guide or visit www.airborne.com.

Tariff in effect at time of shipment governs all packages. Rates are supplied for informational purposes only and may differ from your actual rates at time of shipment.

SCHEDULE B

P C Connection

Corpwide

Overnight Air Express

Guaranteed delivery by noon on the next business day to most points in the U.S.

Weight Lbs	Pricing Zone 2	3	4	5	6	7	8
Ltr (8 oz)	[**]	[**]	[**]	[**]	[**]	[**]	[**]
1	[**]	[**]	[**]	[**]	[**]	[**]	[**]
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99	[**]	[**]	[**]	[**]	[**]	[**]	[**]
100/CWT*	[**]	[**]	[**]	[**]	[**]	[**]	[**]

* *CWT Rate applies per pound, 100 lbs +*

Residential shipments may not exceed [**]% of total shipments in any given month. Reselling is prohibited.

For more information, please consult the Airborne service guide or visit www.airborne.com.

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SCHEDULE B

P C Connection

Corpwide

Next Afternoon Service

Guaranteed delivery by 3 p.m. on the next business day to most points in the U.S.

Weight Lbs	Pricing Zone 2	3	4	5	6	7	8
Ltr (8 oz)	[**]	[**]	[**]	[**]	[**]	[**]	[**]
1	[**]	[**]	[**]	[**]	[**]	[**]	[**]
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99	[**]	[**]	[**]	[**]	[**]	[**]	[**]
100/CWT*	[**]	[**]	[**]	[**]	[**]	[**]	[**]

* *CWT Rate applies per pound, 100 lbs +*

Residential shipments may not exceed [**]% of total shipments in any given month. Reselling is prohibited.

For more information, please consult the Airborne service guide or visit www.airborne.com.

Tariff in effect at time of shipment governs all packages. Rates are supplied for informational purposes only and may differ from your actual rates at time of shipment.

SCHEDULE B

P C Connection

Corpwide

Second Day Service

Guaranteed delivery by 5 p.m. on the second business day to most points in the U.S.

Weight Lbs	Pricing Zone 2	3	4	5	6	7	8
Ltr (8 oz)	[**]	[**]	[**]	[**]	[**]	[**]	[**]
1	[**]	[**]	[**]	[**]	[**]	[**]	[**]
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99	[**]	[**]	[**]	[**]	[**]	[**]	[**]
100/CWT*	[**]	[**]	[**]	[**]	[**]	[**]	[**]

* *CWT Rate applies per pound, 100 lbs +*

Residential shipments may not exceed [**]% of total shipments in any given month. Reselling is prohibited.

For more information, please consult the Airborne service guide or visit www.airborne.com.

Tariff in effect at time of shipment governs all packages. Rates are supplied for informational purposes only and may differ from your actual rates at time of shipment.

SCHEDULE B

P C Connection

Ground Delivery Service

Guaranteed delivery in 1-7 business days

Weight Lbs	Pricing Zone 2	3	4	5	6	7	8
1	[**]	[**]	[**]	[**]	[**]	[**]	[**]
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99	[**]	[**]	[**]	[**]	[**]	[**]	[**]
100/CWT*	[**]	[**]	[**]	[**]	[**]	[**]	[**]

* *CWT Rate applies per pound, 100 lbs +*

Residential shipments may not exceed [**]% of total shipments in any given month. Reselling is prohibited.

For more information, please consult the Airborne service guide or visit www.airborne.com.

Tariff in effect at time of shipment governs all packages. Rates are supplied for informational purposes only and may differ from your actual rates at time of shipment.

P C Connection

SCHEDULE B

Canadian Service

Guaranteed delivery by noon on the next business day to most points in Canada

Lbs	Rate
Ltr (8 oz)	[**]
1	[**]
2	[**]
3	[**]
4	[**]
5	[**]
6	[**]
7	[**]
8	[**]
9	[**]
10	[**]
11	[**]
12	[**]
13	[**]
14	[**]
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98	[**]
99	[**]
100/CWT*	[**]

* *CWT Rate applies per pound, 100 lbs +*

Residential shipments may not exceed [**]% of total shipments in any given month. Reselling is prohibited.

For more information, please consult the Airborne service guide or visit www.airborne.com.

Tariff in effect at time of shipment governs all packages. Rates are supplied for informational purposes only and may differ from your actual rates at time of shipment.

SCHEDULE B

<u>Rates and Charges for P C Connection</u>

OUTBOUND

DOOR TO DOOR

INTERNATIONAL EXPRESS CHARGES

DOCUMENTS AND PACKAGES

IDC ZZ7

FROM: All Bold Red/Bold Black points in the U.S.A. & Puerto Rico listed in the current A.F.C. Service Guide.
TO: For the specific points served, refer to Attachment A.

WGT / LBS	MAJOR EUROPE	MINOR EUROPE	MAJOR ASIA	JAPAN	MINOR ASIA	AUSTRALIA OCEANIA	CHINA	MEXICO	CARIB BEAN	LATIN AMERICA	MIDDLE EAST	EASTERN EUROPE	S ASIA S AFRICA	AFRICA
	A	B	C	D	E	F	G	H	I	J	K	L / M	N	O
Letter	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
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* 51+	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]

* This rate applies to each additional pound, 51 pounds and above. Add to the 50 pound charge.

<u>RULES AND REGULATIONS:</u>

1. All Light Black points in the United States and all points served in the Virgin Islands will be assessed an additional $[**] charge per shipment. No additional charges apply to points in Puerto Rico.
2. An Advance Destination Charge may be assessed for deliveries outside the standard delivery areas. Please call 1-800-ABX-INTL for further information.
3. Shipments to Mexico valued up to $199.00 are cleared duty free; $[**] will be added to the Scale H rates above for this service.
4. Rates do not include duties, taxes or VAT (Value Added Tax) charges.

AIRBORNE EXPRESS
DOOR TO DOOR
INTERNATIONAL EXPRESS POINTS SERVED

TO THE FOLLOWING COUNTRIES/CITIES:	USE REGION
Afghanistan	NO SVC
Albania	L
Algeria	O
American Samoa	F
Andorra	A
Angola	O
Anguilla	I
Antarctica	NO SVC
Antigua & Barbuda	I
Argentina	J
Armenia	M
Aruba	I
Australia	F
Austria	B
Azerbaijan	M
Azores (Portugal)	B
Bahamas	I
Bahrain	K
Bangladesh	N
Barbados	I
Belarus (Byelarus)	M
Belgium	A
Belize	J
Benin	O
Bermuda	I
Bhutan	NO SVC
Bolivia	J
Bonaire	I
Bosnia Hercegovina	L
Botswana	O
Brazil	J
British Virgin Islands	I
Brunei	F
Bulgaria	L
Burkina Faso	O
Burundi	O
Cambodia	N
Cameroon	O
Canary Is (Spain)	B
Cape Verde	O
Cayman Islands	I
Central African Republic	O
Chad	O
Channel Islands (see UK)	A
Chile	J
China	G
Colombia	J
Comoros	NO SVC
Congo	O
Congo, Dem Rep of	O
Cook Is	F
Costa Rica	J
Croatia	L
Cuba	NO SVC
Curacao	I
Cyprus	K
Czech Republic	L
Denmark	B
Djibouti	O
Dominica	I
Dominican Republic	I
Ecuador	J
Egypt	K
El Salvador	J
England, U.K.	A
Equatorial Guinea	NO SVC
Eritrea	O
Estonia	M
Ethiopia	O

Faroe Islands	L
Falkland Islands	NO SVC
Fiji	F
Finland	B
France	A
French Guiana	J
French Polynesia	F
Gabon	O
Gambia	O
Georgia	M
Germany	A
Ghana	O
Gibraltar	B
Greece	B
Greenland	B
Grenada	I
Guadeloupe	I
Guam	F
Guatemala	J
Guinea	O
Guinea Bissau	NO SVC
Guyana	J
Haiti	I
Honduras	J
Hong Kong	C
Hungary	L
Iceland	L
India	N
Indonesia	E
Iran	NO SVC
Iraq	NO SVC
Ireland	A
Ireland, Northern (UK)	A
Isle of Man (UK)	A
Israel	K
Italy	A
Ivory Coast	O
Jamaica	I
Japan	D
Jordan	K
Kazakhstan	M
Kenya	O
Kiribati	F
Korea North	NO SVC
Korea South	C

An Advance Destination charge may be assessed for deliveries outside the standard delivery area.
For further information please call 1-800-ABX-INTL. (1-800-229-4685)
Subject to change without notice.

AIRBORNE EXPRESS

TO THE FOLLOWING COUNTRIES/CITIES:	USE REGION
Kuwait	K
Kyrgyzstan (Kirghizia)	M
Laos	E
Latvia	M
Lebanon	K
Lesotho	O
Liberia	O
Libya	NO SVC
Liechtenstein	A
Lithuania	M
Luxembourg	A
Macau	C
Macedonia	L
Madagascar	O
Madeira Is (Portugal)	B
Malagasy	O
Malawi	O
Malaysia	E
Maldives	N
Mali	O
Malta	N
Marshall Islands	NO SVC
Martinique	I
Mauritania	O
Mauritius	O
Mayotte	NO SVC
Mexico	H
Micronesia	NO SVC
Moldova	M
Monaco	A
Mongolia	NO SVC
Montserrat	NO SVC
Morocco	O
Mozambique	O
Myanmar (Burma)	NO SVC
Namibia	O
Nauru	F
Nepal	N
Netherlands	A
Netherlands Antilles	I
New Caledonia	F
New Zealand	F
Nicaragua	J
Niger	O
Nigeria	O
Northern Ireland, UK	A
Northern Mariana Is	F
Norway	B
Oman	K
Pakistan	N
Palau	NO SVC
Panama	J
Papua New Guinea	F
Paraguay	J
Peru	J
Philippines	E
Poland	L
Portugal	B
Qatar	K
Reunion Island	O
Romania	L
Russia	M
Rwanda	O
Saba	I
Saipan	F
Samoa	F
San Marino	B
Sao Tome & Principe	NO SVC
Saudi Arabia	K
Scotland, U.K.	A
Senegal	O

Serbia	NO SVC
Seychelles	O
Sierra Leone	O
Singapore	C
Slovakia	L
Slovenia	L
Solomon Is	F
Somalia	NO SVC
South Africa	N
Spain	B
Sri Lanka	N
St Barthelemy Is	I
St Eustatius Is	I
St John	I
St Kitts & Nevis	I
St Lucia	I
St Maarten	I
St Vincent / Grenadine	I
Sudan	NO SVC
Surinam	J
Swaziland	O
Sweden	B
Switzerland	B
Syria	K
Tahiti	F
Taiwan	C
Tajikistan	M
Tanzania	O
Thailand	E
Togo	O
Tonga	F
Trinidad & Tobago	I
Tunisia	O
Turkey	K
Turkmenistan	M
Turks & Caicos	I
Tuvalu	F
Uganda	O
Ukraine	M
United Arab Emirates	K
United Kingdom	A
Uruguay	J
Uzbekistan	M
Vanuatu	F
Vatican City	A
Venezuela	J
Vietnam	E
Wake Island	NO SVC
Wales, U.K.	A
Wallis & Futina Islands	NO SVC
Western Sahara	NO SVC
Yemen	K
Yugoslavia	L
Zaire (see Congo, Dem Rep of)	
Zambia	O
Zimbabwe	O

SCHEDULE B

P C Connection

ISX

Overnight Air Express

Guaranteed delivery by noon on the next business day to most points in the U.S.

Weight Lbs	Pricing Zone 2	3	4	5	6	7	8
Ltr (8 oz)	[**]	[**]	[**]	[**]	[**]	[**]	[**]
1	[**]	[**]	[**]	[**]	[**]	[**]	[**]
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100/CWT*	[**]	[**]	[**]	[**]	[**]	[**]	[**]

* *CWT Rate applies per pound, 100 lbs +*

Residential shipments may not exceed [**]% of total shipments in any given month. Reselling is prohibited.

For more information, please consult the Airborne service guide or visit www.airborne.com.

Tariff in effect at time of shipment governs all packages. Rates are supplied for informational purposes only and may differ from your actual rates at time of shipment.

SCHEDULE B

P C Connection

ISX

Next Afternoon Service

Guaranteed delivery by 3 p.m. on the next business day to most points in the U.S.

Weight Lbs	Pricing Zone 2	3	4	5	6	7	8
Ltr (8 oz)	[**]	[**]	[**]	[**]	[**]	[**]	[**]
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100/CWT*	[**]	[**]	[**]	[**]	[**]	[**]	[**]

* *CWT Rate applies per pound, 100 lbs +*

Residential shipments may not exceed [**]% of total shipments in any given month. Reselling is prohibited.

For more information, please consult the Airborne service guide or visit www.airborne.com.

Tariff in effect at time of shipment governs all packages. Rates are supplied for informational purposes only and may differ from your actual rates at time of shipment.

SCHEDULE B

P C Connection

ISX

Second Day Service

Guaranteed delivery by 5 p.m. on the second business day to most points in the U.S.

Weight Lbs	Pricing Zone 2	3	4	5	6	7	8
Ltr (8 oz)	[**]	[**]	[**]	[**]	[**]	[**]	[**]
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100/CWT*	[**]	[**]	[**]	[**]	[**]	[**]	[**]

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Exhibit 15

November 20, 2003

PC Connection, Inc.
730 Milford Road
Merrimack, New Hampshire

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of PC Connection, Inc. and subsidiaries for the periods ended September 30, 2003 and 2002, as indicated in our report dated November 20, 2003; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated by reference in Registration Statement Nos. 333-91584, 333-66450, 333-40172, 333-83943, 333-69981, 333-50847, 333-50845, and 333-106652 of PC Connection, Inc. on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts

Exhibit 31.1

CERTIFICATIONS

I, Patricia Gallup, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PC Connection, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) Except for the findings set forth in Part I, Item 4 to the Company's Quarterly Report on Form 10-Q, all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2003

/S/ PATRICIA GALLUP

Patricia Gallup
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Mark Gavin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PC Connection, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) Except for the findings set forth in Part I, Item 4 to the Company's Quarterly Report on Form 10-Q, all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2003

/S/ MARK GAVIN

Mark Gavin
Senior Vice President of Finance and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of PC Connection, Inc. (the "Company") for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Patricia Gallup, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 20, 2003	/S/ PATRICIA GALLUP
	Patricia Gallup Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to PC Connection, Inc. and will be retained by PC Connection, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of PC Connection, Inc. (the "Company") for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Mark Gavin, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 20, 2003

/S/ MARK GAVIN

Mark Gavin
Senior Vice President of Finance and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to PC Connection, Inc. and will be retained by PC Connection, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.