

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): September 4, 2001

PC Connection, Inc

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

000-23827

02-0513618

(Commission File Number)

(IRS Employer Identification No.)

Route 101A, 730 Milford Road, Merrimack, New Hampshire 03054

(Address of Principal Executive Offices)

(Zip Code)

(603) 423-2000

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Item 5. Other Events.

On September 4, 2001, PC Connection, Inc., a Delaware corporation ("PC Connection") announced today that it and Cyberian Outpost, Inc., a Delaware corporation ("Cyberian Outpost") have terminated their Merger Agreement, entered into on May 29, 2001 and all other agreements between them, including the Stock Warrant Agreement, the Credit and Supply Agreement, the Security Agreement and the Note, each entered into on May 29, 2001. The terms of the termination, including mutual releases between the parties, are set forth in a Termination Agreement executed today by and among PC Connection, Cyberian Outpost, Merrimack Services Corporation, a Delaware corporation and an affiliate of PC Connection ("Merrimack"), and Fry's Electronics, Inc., a Delaware corporation ("Fry's"). Pursuant to the Termination Agreement, Cyberian Outpost has repaid PC Connection in full all amounts due under the terminated credit facility. PC Connection will withdraw the registration statement previously filed with the Securities and Exchange Commission related to the terminated merger proposal.

A copy of the termination agreement and the press release are attached to this Current Report on Form 8-K as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits.

99.1 Termination Agreement, dated September 4, 2001 and entered into by and among PC Connection, Cyberian Outpost, Merrimack and Fry's (1)

99.2 Press Release issued on September 4, 2001

(1) Exhibit A to the Agreement has been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. PC Connection will furnish copies of this exhibit to the U.S. Securities and Exchange Commission upon request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 4, 2001

REGISTRANT

PC CONNECTION, INC.

By: /s/ Mark A. Gavin

Mark A. Gavin
Senior Vice President of Finance
and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number -----	Description -----
99.1	Termination Agreement, dated September 4, 2001 and entered into by and among PC Connection, Cyberian Outpost, Merrimack and Fry's (1)
99.2	Press Release issued on September 4, 2001

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TERMINATION AGREEMENT

TERMINATION AGREEMENT, dated as of September 4, 2001, by and among Cyberian Outpost, Inc., a Delaware corporation (the "Company"), PC Connection, Inc., a Delaware corporation ("PCC"), Merrimack Services Corporation, a Delaware corporation and an affiliate of PCC ("MSC"), and Fry's Electronics, Inc., a Delaware corporation ("Fry's").

WHEREAS, the Company and PCC are parties to a Merger Agreement, dated as of May 29, 2001 (the "Merger Agreement");

WHEREAS, in connection with the execution of the Merger Agreement, (i) the Company and PCC entered into a Stock Warrant Agreement, dated as of May 29, 2001 (the "Stock Warrant Agreement"); (ii) the Company and MSC entered into a Credit and Supply Agreement, Security Agreement and related Working Capital Promissory Note, each dated as of May 29, 2001 (the "Credit Agreement," the "Security Agreement" and the "Note," respectively); and (iii) certain stockholders of the Company granted irrevocable proxies in favor of PCC with respect to the transactions contemplated by the Merger Agreement (the "Proxies" and, collectively with the Merger Agreement, the Stock Warrant Agreement, the Credit Agreement, the Security Agreement and the Note, the "Transaction Documents");

WHEREAS, the Company desires to enter into a Merger Agreement with Fry's (the "Fry's Agreement");

WHEREAS, upon and in connection with the execution of the Fry's Agreement, the Company will have secured financing sufficient to enable the Company to pay MSC in full all amounts outstanding under the Credit Agreement and the Note;

WHEREAS, PCC is willing to consent to the Company's execution of the Fry's Agreement, subject to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the premises and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Subject to the conditions set forth below, and notwithstanding any provision to the contrary contained in the Transaction Documents, PCC hereby consents to the Company's entering into the Fry's Agreement.

SECTION 2. Simultaneous with the execution of the Fry's Agreement, the Company hereby agrees:

(a) To pay to MSC, by wire transfer of immediately available funds, the sum of \$4,845,761.88, representing all amounts now or hereafter to become due from the Company to MSC, PCC and any of their Affiliates (as such term is defined in the Merger

Agreement) under the Credit Agreement, the Security Agreement and the Note. Concurrently herewith MSC shall designate in writing the account to which such funds shall be paid; and

(b) To cause Paymentech, LLC, to release and forever discharge PCC and MSC from their obligations under that certain Credit Card Processing Services Agreement Guaranty Addendum dated May 30, 2001 (the "Guaranty Addendum").

SECTION 3. PCC and MSC agree that the foregoing payment and release of the Guaranty Addendum shall be in full satisfaction of any obligation of the Company to MSC, PCC or any of their Affiliates under any of the Transaction Documents, and upon MSC's receipt of such payment and release, the Company shall have no further obligation to MSC, PCC or any of their Affiliates with respect to any of the same. PCC and MSC agree that each of them shall use its reasonable best efforts to cause to be filed as promptly as practicable UCC-2s, or comparable termination statements, as well as any other documents reasonably requested by the Company, so as to terminate any security interest, lien or UCC filing of PCC or MSC with respect to the Company or any of its assets.

SECTION 4. Upon MSC's receipt of the payment pursuant to and at the time required by Section 2(a), and Paymentech's release of PCC and MSC from the Guaranty Addendum pursuant to and at the time required by Section 2(b):

(a) The Transaction Documents shall terminate and become void, effective immediately; and

(b) The following releases shall immediately become effective:

(i) PCC and MSC hereby release, acquit, and forever discharge the Company and any of its subsidiaries, successors and assigns from (i) any interest PCC or MSC may have in the Company or any of its any assets and (ii) any obligation of the Company otherwise arising under or in connection with the Credit Agreement, the Security Agreement and the Note;

(ii) PCC hereby terminates and forever releases any rights it may have under or with respect to the Proxies, and each of them, and covenants and agrees that it shall not seek to exercise any of the same; and PCC acknowledges and agrees that the Company stockholders granting such Proxies are third-party beneficiaries of this Section 4(b)(ii); and

(iii) PCC and MSC hereby release, acquit, and forever discharge the Company, Fry's and their respective Affiliates, officers, directors, successors and assigns (the "Company Releasees" and the "Fry's Releasees", respectively), from all actions, causes of action, damages, judgments, losses, liabilities, demands and claims which PCC or MSC ever had, now has or may have, against the Company Releasees and the Fry's Releasees, from the beginning of the world to the effective time of this release, including but not limited to any and all actions, causes of action, damages, judgments, losses, liabilities, demands and claims arising out of or relating to the Transaction Documents and the Company's or Fry's actions or omissions in connection therewith.

(iv) The Company and Fry's hereby release, acquit, and forever discharge PCC, MSC and their respective Affiliates, officers, directors, successors and assigns (the "PCC Releases"), from all actions, causes of action, damages, judgments, losses, liabilities, demands and claims which the Company or Fry's ever had, now has or may have, against the PCC Releasees, from the beginning of the world to the effective time of this release, including but not limited to any and all actions, causes of action, damages, judgments, losses, liabilities, demands and claims arising out of or relating to the Transaction Documents (including without limitation any funding or lack thereof or any provision of or failure to provide inventory) and PCC's or MSC's actions or omissions in connection therewith.

SECTION 5. PCC and MSC hereby represent and warrant that neither of them has sold, assigned or otherwise transferred, directly or indirectly, any interest either or both of them may have in, under or with respect to any of the Transaction Documents or the transactions contemplated thereby.

SECTION 6. This Termination Agreement may be executed in one or more counterparts, each of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 7. This Termination Agreement may not be amended except by an instrument in writing signed by the parties hereto.

SECTION 8. This Termination Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware applicable to contracts executed and to be performed entirely within that State. Any dispute under this Agreement shall be brought and determined in the Chancery or other Courts of the State of Delaware.

SECTION 9. Notwithstanding anything herein to the contrary, other than as required by law, each party hereto agrees that it shall hereafter make no public communication other than issuing the press release attached as Exhibit A hereto (i) concerning any party's reasons for the termination of the Transaction Documents and the transactions contemplated thereby or (ii) in disparagement of any other party hereto.

IN WITNESS WHEREOF, the Company, PCC, MSC and Fry's have caused this Termination Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

CYBERIAN OUTPOST, INC.

/s/ Danny Peck

Name: Danny Peck
Title: CEO

PC CONNECTION, INC.

/s/ Wayne L. Wilson

Name: Wayne L. Wilson
Title: President and CEO

MERRIMACK SERVICES CORPORATION

/s/ Mark A. Gavin

Name: Mark A. Gavin
Title: SVP of Finance and CFO

FRY'S ELECTRONICS, INC.

/s/ Kathryn J. Kolder

Name: Kathryn J. Kolder
Title: Executive V.P.

For more information contact: PC Connection, Inc.
Mark A. Gavin
Senior Vice President of Finance and Chief Financial Officer
(603) 423-2451

FOR IMMEDIATE RELEASE

PC Connection Calls Off Acquisition with Cyberian Outpost, Inc.

Merrimack, NH - September 4, 2001 - PC Connection, Inc. (NASDAQ: PCCC) announced today that it and Cyberian Outpost, Inc. have terminated their Merger Agreement and all other agreements between them, including the Stock Warrant Agreement, the Credit and Supply Agreement, the Security Agreement and the Note. The terms of the termination, including mutual releases between the parties, are set forth in a Termination Agreement executed today. Pursuant to the Termination Agreement, Cyberian Outpost has repaid PC Connection in full all amounts due under the terminated credit facility. PC Connection will withdraw the registration statement previously filed with the Securities and Exchange Commission related to the now-terminated merger proposal.

As the parties previously announced on August 22, 2001, Cyberian Outpost had informed PC Connection that it may not be able to fulfill the net worth condition in the Merger Agreement, and PC Connection had determined that it would not waive that condition.

ABOUT PC CONNECTION, INC.

PC Connection, Inc., a Fortune 1000 company, is a rapid-response provider of information technology products and solutions. The Company offers more than 100,000 brand-name products through its staff of technically-trained outbound sales account managers and catalog telesales representatives, its comprehensive web sites at www.pconnection.com, www.macconnection.com and www.comteq.com, and its catalogs PC Connection (1-800-800-5555) and MacConnection (1-800-800-2222). Through its full-service Distribution and Custom-Configuration Center, PC Connection can deliver custom-configured computer systems overnight.

"Safe Harbor" Statement for PC Connection, Inc. under the Private Securities Litigation Reform Act of 1995: This release may contain forward-looking statements that are subject to risks and uncertainties, including, but not limited to, those risks detailed under the caption "Factors That May Affect Future Results and Financial Condition" in PC Connection's 2000 Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2000.

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