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

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

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 (x) 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 [X] NO [_]

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of the issuer's Common Stock, $.01 par value, as of November 5, 2001 was 24,456,138.

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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. and Subsidiaries
Merrimack, New Hampshire

We have reviewed the accompanying condensed consolidated balance sheet of PC Connection, Inc. and subsidiaries (the "Company") as of September 30, 2001, the related condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2001 and 2000, condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2001 and 2000, and condensed consolidated statement of changes in stockholders' equity for the nine-month period ended September 30, 2001. All of these financial statements are included on the Form 10-Q for the quarterly period ended September 30, 2001. 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 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, 2000, 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 25, 2001, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2000 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
October 18, 2001

PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 1 - Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands)

	SEPTEMBER 30, 2001 (unaudited)	DECEMBER 31, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 53,276	$ 7,363
Accounts receivable, net	111,446	139,644
Inventories - merchandise	41,080	54,679
Deferred income taxes	2,292	2,175
Income tax receivable	29	4,882
Prepaid expenses and other current assets	2,284	3,064
TOTAL CURRENT ASSETS	210,407	211,807
Property and equipment, net	28,157	28,665
Goodwill, net	8,982	9,509
Other assets	214	432
TOTAL ASSETS	$247,760	$250,413
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of capital lease obligation to affiliate	$ 166	$ 153
Current maturities of long-term debt	1,000	1,000
Accounts payable	80,524	86,216
Accrued expenses and other liabilities	11,200	12,769
TOTAL CURRENT LIABILITIES	92,890	100,138
Long-term debt, less current maturities	-	1,000
Capital lease obligation to affiliate, less current maturities	6,666	6,792
Deferred income taxes	3,623	3,555
Other liabilities	107	241
TOTAL LIABILITIES	103,286	111,726
Stockholders' Equity:		
Common stock	246	244
Additional paid-in capital	73,039	71,542
Retained earnings	72,686	66,901
Treasury stock at cost	(1,497)	-
TOTAL STOCKHOLDERS' EQUITY	144,474	138,687
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$247,760	$250,413

See accompanying notes to condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 1 - Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
Net sales	$308,689	$404,876	$907,802	$1,104,765
Cost of sales	275,454	355,146	806,390	969,460
GROSS PROFIT	33,235	49,730	101,412	135,305
Selling, general and administrative expenses	29,038	32,872	90,154	92,782
Restructuring costs and other special charges	1,200	-	2,051	-
INCOME FROM OPERATIONS	2,997	16,858	9,207	42,523
Interest expense	(264)	(440)	(918)	(1,114)
Other, net	357	121	1,041	490
Income before taxes	3,090	16,539	9,330	41,899
Income taxes	(1,174)	(6,284)	(3,545)	(15,924)
NET INCOME	$ 1,916	$ 10,255	$ 5,785	$ 25,975
Earnings per common share:				
Basic	$0.08	$0.42	$0.24	$1.08
Diluted	$0.08	$0.40	$0.23	$1.02

See accompanying notes to condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 1 - Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(amounts in thousands)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TREASURY SHARES	TREASURY SHARES AMOUNT	TOTAL
BALANCE, DECEMBER 31, 2000	24,416	$244	$71,542	$66,901	-	$ -	$138,687
Exercise of stock options, including income tax benefits	142	1	770	-	-	-	771
Issuance of stock under employee stock purchase plan	86	1	727	-	-	-	728
Net income	-	-	-	5,785	-	-	5,785
Repurchase of common stock for treasury	-	-	-	-	(200)	(1,497)	(1,497)
BALANCE, SEPTEMBER 30, 2001	24,644	$246	$73,039	$72,686	(200)	$(1,497)	$144,474

See accompanying notes to condensed consolidated financial statements.

PC CONNECTION, INC. AND SUBSIDIARIES
Part I - Financial Information
Item 1 - Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(amounts in thousands)

	Nine Months Ended September 30, 2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,785	$ 25,975
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	5,897	4,719
Deferred income taxes	(49)	(422)
Compensation under nonstatutory stock option agreements	-	51
Provision for doubtful accounts	8,590	7,152
Gain on disposal of fixed assets	(125)	(5)
Changes in assets and liabilities:		
Accounts receivable	19,608	(73,757)
Inventories	13,599	(18,725)
Prepaid expenses and other current assets	5,633	(1,868)
Other non-current assets	191	(304)
Income tax benefits from exercise of stock options	156	8,182
Accounts payable	(5,692)	39,711
Accrued expenses and other liabilities	(1,569)	1,511
Net cash provided by (used for) operating activities	52,024	(7,780)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,860)	(8,074)
Proceeds from sale of property and equipment	16	74
Payment for acquisitions, net of cash acquired	-	(2,158)
Net cash used for investing activities	(4,844)	(10,158)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	67,952	399,774
Repayment of short-term borrowings	(67,952)	(392,747)
Repayment of notes payable	(1,000)	(1,000)
Repayment of capital lease obligation to affiliate	(113)	(74)
Exercise of stock options	615	3,819
Issuance of stock under employee stock purchase plan	728	479
Purchase of treasury shares	(1,497)	-
Net cash (used for) provided by financing activities	(1,267)	10,251
Increase/(decrease) in cash and cash equivalents	45,913	(7,687)
Cash and cash equivalents, beginning of period	7,363	20,416
Cash and cash equivalents, end of period	$ 53,276	$ 12,729

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)

NOTE 1-BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements of PC Connection, Inc. and Subsidiaries ("PCC" or the "Company") 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2000 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 the Company's 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, 2001 may not be indicative of the results expected for any succeeding quarter or the entire year ending December 31, 2001.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. This includes a reclassification made to the income statements for the three and nine months ended September 30, 2000 to effect the December 2000 adoption by the Company of Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs." The Consensus specifically stated that 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 should be classified as revenue. It was previously the Company's policy to record such revenues as a reduction of cost of goods sold. All net sales amounts and gross margin percentages reflect the reclassification of amounts billed to customers in sales transactions related to shipping and handling as revenue.

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective January 1, 2001. The adoption of SFAS No. 133 did not have any impact on either the financial position or results of operations of the Company.

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. The Company generally obtains oral or written purchase authorizations from its customers for a specified amount of product at a specified price and considers delivery to have occurred at the point of shipment. The Company provides its customers with a limited thirty day right of return only for defective merchandise. Revenue is recognized at shipment and a reserve for sales returns is recorded. The Company has demonstrated the ability to make reasonable and reliable estimates of product returns in accordance with SFAS No. 48 based on significant historical experience.

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. Provisions are made currently for obsolete, slow moving and nonsalable inventory.

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 where such options have a dilutive effect on earnings per share.

NOTE 2-EARNINGS PER SHARE - CONT'D.

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 2001	THREE MONTHS ENDED 2000	NINE MONTHS ENDED 2001	NINE MONTHS ENDED 2000
Numerator:				
Net income	$ 1,916	$10,255	$ 5,785	$25,975
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares	24,506	24,243	24,449	23,949
Dilutive effect of unexercised employee stock options:	415	1,654	503	1,635
Denominator for diluted earnings per share	24,921	25,897	24,952	25,584
Earnings per share:				
Basic	$ .08	$ .42	$ .24	$ 1.08
Diluted	$ .08	$ .40	$ .23	$ 1.02

The following unexercised stock options were excluded from the computation of diluted earnings per share for the three and nine months ended September 30, 2001 and 2000 because the effect of the options on the calculation would have been anti-dilutive:

SEPTEMBER 30, (AMOUNTS IN THOUSANDS)	THREE MONTHS ENDED 2001	THREE MONTHS ENDED 2000	NINE MONTHS ENDED 2001	NINE MONTHS ENDED 2000
Anti-dilutive stock options	2,036	-	826	76

NOTE 3-REPORTING COMPREHENSIVE INCOME

The Company has 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.

Management has determined that the Company has only one "reportable operating segment," given the financial information provided to and used by the "chief decision maker" of the Company to allocate resources and assess the Company's performance. However, senior management does monitor revenue by platform (PC vs. Mac), sales channel (Corporate Outbound, Inbound Telesales and On-Line Internet), and product mix (Notebooks, Desktops and Servers, Storage Devices, Software, Networking Communications, Printers, Video and Monitors, Memory, and Accessories and Other).

NOTE 4-SEGMENT AND RELATED DISCLOSURES - CONT'D.

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
September 30, (AMOUNTS IN THOUSANDS)	2001	2000	2001	2000
Platform				
PC and Multi Platform	$274,214	$367,152	$813,098	$ 987,984
Mac	34,475	37,724	94,704	116,781
Total	$308,689	$404,876	$907,802	$1,104,765
Sales Channel				
Corporate Outbound	$253,510	$315,664	$720,871	$ 837,224
Inbound Telesales	31,939	57,464	109,215	185,104
On-Line Internet	23,240	31,748	77,716	82,437
Total	$308,689	$404,876	$907,802	$1,104,765
Product Mix				
Notebooks	$ 69,540	$101,132	$199,107	$ 288,115
Desktop/Servers	37,056	61,010	113,595	162,849
Storage Devices	28,288	40,147	87,427	102,300
Software	42,719	35,822	119,194	111,911
Networking Communications	28,995	31,798	83,593	84,694
Printers	25,792	29,447	75,844	78,535
Video & Monitors	26,763	33,772	80,571	87,706
Memory	7,680	17,161	26,952	43,952
Accessories/Other	41,856	54,587	121,519	144,703
Total	$308,689	$404,876	$907,802	$1,104,765

Substantially all of the Company's net sales for the three and nine months ended September 30, 2001 and 2000 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 the Company's assets at September 30, 2001 and December 31, 2000 were located in the United States. The Company's primary target customers are small- to medium-size businesses ("SMBs") comprised of 20 to 1,000 employees, although its customers also include individual consumers, larger companies, federal, state and local governmental agencies and educational institutions. Except for the federal government, no single customer accounted for more than 6% of total net sales in the three and nine months ended September 30, 2001 or 3% of total net sales in the three and nine months ended September 30, 2000. Sales to the federal government accounted for $54.6 million, or 17.7% of total net sales for the quarter ended September 30, 2001 and $42.4 million, or 10.5% of total net sales for the quarter ended September 30, 2000. Sales to the federal government accounted for $106.0 million, or 11.7% of total net sales for the nine months ended September 30, 2001 and $96.1 million or 8.7% of total net sales for the nine months ended September 30, 2000.

NOTE 5-RESTRUCTURING COSTS AND OTHER SPECIAL CHARGES

On March 28, 2001, the Company announced the reduction of non-sales staff by approximately 125 individuals, or 7.5% of the Company's work force. The Company took a charge of approximately $0.9 million in the first quarter of 2001 to cover costs related to this staff reduction. This staff reduction was completed in early April 2001. The Company took a charge in the third quarter of 2001 to cover costs related to additional staff reductions of $0.5 million and to cover $0.7 million of costs associated with proposed acquisitions abandoned during the quarter. All third quarter staff reductions were completed by September 30, 2001. This is reflected under the caption, "restructuring costs and other special charges" on the condensed consolidated statements of income for the three and nine months ended September 30, 2001.

Note 5-Restructuring Costs and Other Special Charges- Cont'd.

A roll-forward of restructuring costs and other special charges for the nine months ended September 30, 2001 is shown below. There were no changes in estimates in the interim periods.

(amounts in thousands)

	TOTAL CHARGES	CASH PAYMENTS	LIABILITIES AT SEPTEMBER 30, 2001
Workforce Reduction	$1,357	$ (1,110)	$ 247
Cost Associated with Abandoned Acquisitions	694	(459)	235
	$2,051	$ (1,569)	$ 482

NOTE 6-SHARE REPURCHASE AUTHORIZATION

The Company announced on March 28, 2001 that its Board of Directors authorized the spending of up to $15.0 million to repurchase the Company's common stock. Share purchases will be made in the open market from time to time depending on market conditions. The Company has repurchased 200,000 shares for $1.5 million as of September 30, 2001, which are reflected as treasury stock on the condensed consolidated balance sheet.

NOTE 7 - RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations." SFAS 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The Company does not believe that the adoption of SFAS 141 will have a significant impact on its financial statements.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets", which will be effective for the Company on January 1, 2002. SFAS 142 requires, among other things, the discontinuance of the amortization of goodwill and certain other identified intangibles. In addition, the statement includes provisions for the reassessment of the value and useful lives of existing recognized intangibles (including goodwill), reclassification of certain intangibles both in and out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill and other intangibles. The Company is currently assessing but has not yet determined the impact of SFAS 142 on its financial position and results of operations.

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 based on management's current expectations, estimates and projections about the Company's industry, management's beliefs and certain assumptions made by management. 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. Potential risks and uncertainties include, among others, those set forth in Item 7 under the caption "Factors That May Affect Future Results and Financial Condition" in the Company's Annual Report on Form 10-K for the year ended December 31, 2000 filed with the SEC, which are incorporated by reference herein. Particular attention should be paid to the cautionary statements involving the industry's rapid technological change and exposure to inventory obsolescence, availability and allocation of goods, reliance on vendor support and relationships, competitive risks, pricing risks, and the overall level of economic activity and the level of business investment in information technology products. Except as required by law, the Company undertakes 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 the Company files from time to time with the SEC.

GENERAL

The Company was founded in 1982 as a mail-order business offering a broad range of software and accessories for IBM and IBM-compatible personal computers ("PCs"). The founders' goal was to provide consumers with superior service and high quality branded products at competitive prices. The Company initially sought customers through advertising in selected computer publications and the use of inbound toll free telemarketing. Currently, the Company seeks to generate sales through (i) outbound telemarketing by account managers focused on the business, education and government markets, (ii) inbound calls from customers responding to the Company's catalogs and other advertising and (iii) the Company's Internet web site.

The Company offers both PC compatible products and Mac compatible products. Reliance on Mac product sales has decreased over the last five years, from 23.0% of net sales for the year ended December 31, 1996 to 10.4% of net sales for the nine months ended September 30, 2001. The Company believes that such sales will continue to decrease as a percentage of net sales and may decline in absolute dollar volume in 2001 and future periods.

The weakness in demand for technology products experienced by the Company in the first two quarters of 2001 continued through the third quarter of 2001, resulting in overall conservative buying patterns, order deferrals and longer sales cycles.

RECENT DEVELOPMENTS

On September 4, 2001, the Company announced that it had terminated its Merger Agreement with Cyberian Outpost, Inc., entered into on May 29, 2001, and all other agreements between them, including the Stock Warrant Agreement giving the Company the right to purchase shares of Cyberian Outpost, the Credit and Supply Agreement providing Cyberian Outpost with working capital loans and an inventory line of credit, the Security Agreement and the Note, each entered into on May 29, 2001. Pursuant to the Termination Agreement entered into on September 4, 2001 by and between PC Connection and Cyberian Outpost, Cyberian Outpost has repaid PC Connection in full all amounts due under the terminated credit facility. PC Connection also withdrew its registration statement previously filed with the Securities and Exchange Commission due to the terminated merger proposal.

RESULTS OF OPERATIONS

THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED WITH THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2000

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
SEPTEMBER 30,	2001	2000	2001	2000
Net sales (in millions)........................	$308.7	$404.9	$907.8	$1,104.8
Net sales......................................	100.0%	100.0%	100.0%	100.0%
Gross profit...................................	10.8	12.3	11.2	12.3
Selling, general and administrative expenses...	9.4	8.1	9.9	8.4
Restructuring costs and other special charges..	0.4	-	0.2	-
Income from operations.........................	1.0	4.2	1.0	3.9
Interest expense...............................	(0.1)	(0.1)	(0.1)	(0.1)
Other, net.....................................	0.1	-	0.1	-
Income before income taxes.....................	1.0	4.1	1.0	3.8
Income taxes...................................	(0.4)	(1.6)	(0.4)	(1.4)
Net income.....................................	0.6	2.5	0.6	2.4

RESULTS OF OPERATIONS - GENERAL - CONT'D.

The following table sets forth the Company's percentage of net sales by platform, sales channel, and product mix:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
SEPTEMBER 30,	2001	2000	2001	2000
Platform				
PC and Multi-Platform......	89%	91%	90%	89%
Mac........................	11	9	10	11
Total.....................	100%	100%	100%	100%
Sales Channel				
Corporate Outbound.........	82%	78%	79%	76%
Inbound Telesales..........	10	14	12	17
On-Line Internet...........	8	8	9	7
Total.....................	100%	100%	100%	100%
Product Mix				
Notebooks..................	23%	25%	22%	26%
Desktop/Servers............	12	15	13	15
Storage Devices............	9	10	10	9
Software...................	14	9	13	10
Networking Communications..	9	8	9	8
Printers...................	8	7	8	7
Video & Monitors...........	9	8	9	8
Memory.....................	2	4	3	4
Accessories/Other..........	14	14	13	13
Total.....................	100%	100%	100%	100%

NET SALES decreased $96.2 million, or 23.8%, to $308.7 million for the quarter ended September 30, 2001 from $404.9 million for the comparable period in 2000 due to the weakness in demand for information technology products. Net sales for the nine months ended September 30, 2001 decreased $197.0 million, or 17.8%, to $907.8 million from $1,104.8 million for the comparable period in 2000. Outbound sales decreased $62.2 million, or 19.7%, to $253.5 million in the three months ended September 30, 2001 from $315.7 million in the three months ended September 30, 2000. Outbound sales decreased $116.3 million, or 13.9%, to $720.9 million for the nine months ended September 30, 2001 from $837.2 million in the comparable period in 2000. Inbound sales, which primarily serve the Company's consumer and very small business customers, decreased $25.6 million, or 44.5%, to $31.9 million in the quarter ended September 30, 2001 from $57.5 million in the comparable period in 2000 and decreased $75.9 million, or 41.0%, to $109.2 million for the nine months ended September 30, 2001 from $185.1 million in the comparable period in 2000. On-line Internet sales decreased $8.5 million, or 26.8%, to $23.2 million in the three months ended September 30, 2001 from $31.7 million in the comparable period in 2000 and decreased $4.7 million, or 5.7% to $77.7 million for the nine months ended September 30, 2001, from $82.4 million in the comparable period in 2000. The Company's sales to consumers and small businesses have been more negatively impacted during the recent spending slow down than have sales to its larger business customers, who generally purchase through either the outbound or Internet channels. All product categories were affected by the recent economic uncertainty, with third quarter 2001 sales of notebooks declining 31.3% to $69.5 million from $101.1 million for the comparable period in 2000. Desktop/server sales declined 39.2% to $37.1 million for the quarter ended September 30, 2001 from $61.0 million for the comparable period in 2000.

RESULTS OF OPERATIONS - GENERAL - CONT'D.

Net sales of enterprise server and networking products decreased 18.8% to $58.1 million for the quarter ended September 30, 2001 from $71.6 million for the comparable period in 2000. While sales of these products declined in the comparative periods, management believes these product categories will eventually grow substantially as its customers further upgrade their network and communication infrastructures. Enterprise server and networking products represented 18.8% of overall net sales in the third quarter of 2001, up from 17.7% of net sales for the comparable period in 2000. Improvements in general economic conditions are likely to be key factors in the recommencement of sales growth.

Average order size decreased $13, or 1.0%, to $1,259 for the quarter ended September 30, 2001 from $1,272 in the third quarter of 2000 and increased $139, or 12.4% from $1,120 in the quarter ended June 30, 2001.

GROSS PROFIT decreased $16.5 million, or 33.2%, to $33.2 million for the quarter ended September 30, 2001 from $49.7 million for the comparable period in 2000. Gross profit for the nine months ended September 30, 2001 decreased $33.9 million, or 25.1%, to $101.4 million from $135.3 million for the comparable period in 2000. Gross profit margin as a percentage of net sales decreased to 10.8% in the third quarter of 2001 from 12.3% for the comparable period in 2000. Gross profit margin as a percentage of net sales decreased to 11.2% in the first nine months of 2001 from 12.3% for the comparable period in 2000. A more competitive pricing environment and other market conditions during the third quarter of 2001 negatively impacted the Company's gross margin percentage. The Company's profit margins are also influenced by the relative mix of inbound, outbound, and on-line Internet sales. Since outbound sales are typically to corporate accounts that purchase at volume discounts, the gross margin on such sales is generally lower than inbound sales. The gross profit dollar contribution per outbound sales order is generally higher as average sizes of orders to corporate accounts are usually larger. The Company expects that its gross margin, as a percentage of sales, may vary by quarter based upon vendor support programs, product mix, pricing strategies, market conditions and other factors.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES decreased $3.9 million, or 11.9%, to $29.0 million for the quarter ended September 30, 2001 from $32.9 million for the comparable quarter in 2000. Selling, general and administrative expenses ("SG&A") for the nine months ended September 30, 2001 decreased by $2.6 million, or 2.8%, to $90.2 million from $92.8 million in the nine months ended September 30, 2000. The Company expects that its SG&A, as a percentage of net sales, may vary by quarter depending on changes in sales volume, as well as the levels of continued investments in key growth initiatives such as hiring more experienced outbound sales account managers, improving marketing programs, and deploying next generation Internet web technology to support the sales organization.

RESTRUCTURING COSTS AND OTHER SPECIAL CHARGES totaling $1.2 million, or $0.03 per share, were recorded in the third quarter of 2001. These costs related to staff reductions of $0.5 million and $0.7 million of costs associated with proposed acquisitions abandoned during the quarter. For the nine months ended September 30, 2001, the Company recorded restructuring costs and other special charges totaling $2.1 million, or $0.05 per share.

INCOME FROM OPERATIONS decreased $13.9 million, or 82.2%, to $3.0 million for the quarter ended September 30, 2001, from $16.9 million for the comparable period in 2000. Income from operations as a percentage of sales decreased from 4.2% in the three months ended September 30, 2000 to 1.0% for the comparable period in 2001 for the reasons discussed above. Similarly, income from operations for the nine months ended September 30, 2001 decreased $33.3 million, or 78.4%, to $9.2 million from $42.5 million for the comparable period in 2000. Income from operations as a percentage of sales decreased from 3.9% for the nine months ended September 30, 2000 to 1.0% for the comparable period in 2001.

INTEREST EXPENSE decreased $0.1 million, or 25.0%, to $0.3 million for the quarter ended September 30, 2001 from $0.4 million for the comparable quarter in 2000. Similarly, interest expense for the nine months ended September 30, 2001 decreased $0.2 million, or 18.2%, to $0.9 million from $1.1 million for the comparable period in 2000. This decrease in interest expense can be attributed to lower average borrowings outstanding in the respective 2001 periods compared to the 2000 periods.

RESULTS OF OPERATIONS - GENERAL - CONT'D.

OTHER, NET, which is essentially comprised of interest income increased $0.3 million, or 300.0%, to $0.4 million in the quarter ended September 30, 2001 from $0.1 million for the comparable period in 2000. Similarly, other, net for the nine months ended September 30, 2001 increased $0.5 million, or 100.0%, to $1.0 million from $0.5 million for the comparable period in 2000. This increase was due primarily to higher interest income from investments.

INCOME TAXES for the quarter ended September 30, 2001 were $1.2 million compared to $6.3 million for the comparable quarter in 2000. Income taxes for the nine months ended September 30, 2001 were $3.5 million, compared to $15.9 million for the comparable period in 2000. The effective tax rate was 38% for all periods.

NET INCOME for the quarter ended September 30, 2001 decreased $8.4 million, or 81.6%, to $1.9 million from $10.3 million for the comparable quarter in 2000, principally as a result of the decreases in operating income as described above. Net income decreased $20.2 million, or 77.7%, to $5.8 million for the nine months ended September 30, 2001 from $26.0 million for the comparable period in 2000.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically financed its operations and capital expenditures through cash flow from operations and bank borrowings. The Company believes that funds generated from operations, together with available credit under its bank line of credit, will be sufficient to finance its working capital and capital expenditure requirements at least through the next twelve months. The Company's ability to continue funding its planned growth is dependent upon its 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.

At September 30, 2001, the Company had cash and cash equivalents of $53.3 million and working capital of $117.5 million. At December 31, 2000, the Company had cash and cash equivalents of $7.4 million and working capital of $111.7 million.

The Company has an unsecured credit agreement with a bank providing for short-term borrowings up to $70.0 million, which bears interest at various rates ranging from the prime rate (6.00% at September 30, 2001) to prime less 1%, depending on the ratio of senior debt to EBITDA (earnings before interest, taxes, depreciation and amortization). The credit agreement includes various customary financial and operating covenants, including restrictions on the payment of dividends, none of which the Company believes significantly restricts its operations. No borrowings were outstanding at September 30, 2001.

Net cash provided by operating activities was $52.0 million for the nine months ended September 30, 2001, as compared to $7.8 million used in operating activities for the comparable period in 2000. The primary factors historically affecting cash flows from operations are the Company's net income and changes in the levels of accounts receivable, inventories and accounts payable. Since accounts receivable and inventories have substantially decreased since December 31, 2000, cash levels have increased commensurately.

Capital expenditures were $4.9 million in the nine months ended September 30, 2001 as compared to $8.1 million for the comparable period in 2000. The majority of the capital expenditures for the respective 2001 and 2000 periods relate to computer hardware and software for the Company's information systems. Total capital expenditures for the year ended December 31, 2001 are estimated to be $5.5 million.

INFLATION

The Company has historically offset any inflation in operating costs by a combination of increased productivity and price increases, where appropriate. The Company does not expect inflation to have a significant impact on its business in the future.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company invests cash balances in excess of operating requirements in short-term securities, generally with maturities of 90 days or less. In addition, the Company's unsecured credit agreement provides for borrowings which bear interest at variable rates based on the prime rate. The Company had no borrowings outstanding pursuant to its credit agreement as of September 30, 2001. The Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company's financial position, results of operations and cash flows should not be material.

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
15	Letter on unaudited interim financial information.

(b) REPORTS ON FORM 8-K

(i) The Company filed a Current Report on Form 8-K on September 4, 2001 for the termination of the Merger Agreement by and between PC Connection, Inc. and Cyberian Outpost Inc., dated as of May 29, 2001.

(ii) The Company filed a Current Report on Form 8-K on August 23, 2001 for the press release announcing PC Connection, Inc. would not waive Cyberian Outpost, Inc.'s net worth condition in the Merger Agreement.

SIGNATURES

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 thereunto duly authorized.

PC CONNECTION, INC. AND SUBSIDIARIES

November 13, 2001 By: /s/ Wayne L. Wilson

Wayne L. Wilson
President and Chief Operating Officer

November 13, 2001 By: /s/ Mark A. Gavin

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

Exhibit 15

October 18, 2001

PC Connection, Inc. and Subsidiaries
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, 2001 and 2000, as indicated in our report dated October 18, 2001; 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, 2001 is incorporated by reference in Registration Statement Nos. 333-66450, 333-40172, 333-69981, 333-50847, 333-50845, and 333-83943 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