

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): April 5, 2002

PC CONNECTION, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-23827

(Commission File Number)

02-0513618

(IRS Employer Identification No.)

Rt. 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 2. Acquisition or Disposition of Assets.

On April 5, 2002 (the "Effective Date"), PC Connection, Inc., a Delaware corporation ("PCC"), completed its acquisition of MoreDirect, Inc., a Florida corporation ("MoreDirect"). The acquisition was completed pursuant to an Agreement and Plan of Merger, dated as of March 25, 2002 and amended on April 5, 2002 (as amended, the "Merger Agreement"), by and among PCC, Boca Acquisition Corp., a Florida corporation and a wholly owned subsidiary of PCC ("Boca"), MoreDirect and Russell L. Madris, the sole stockholder of MoreDirect.

Upon consummation of the transactions contemplated by the Merger Agreement, Boca was merged with and into MoreDirect (the "Merger"), whereby MoreDirect became a wholly owned subsidiary of PCC. Under the terms of the Merger Agreement, immediately prior to closing, all outstanding options and warrants of MoreDirect were either cashed out at \$4.65 per share for an aggregate amount of approximately \$4,084,000 or terminated to the extent shares outstanding under the options were not exercisable. PCC paid Russell L. Madris, the sole shareholder of MoreDirect \$17,966,000 in cash at closing. MoreDirect also, prior to closing, distributed to Mr. Madris, its sole shareholder, \$7,950,000 from available cash balances for previously taxed but undistributed earnings.

The Merger Agreement 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 by PCC to Mr. Madris. Under the Merger Agreement, earn-out payments are tied to EBIT levels targeted to grow at a 15% rate per year. The maximum payments PCC will make under the earn-out provisions of the Merger Agreement are \$67,106,000, 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 payments would be required under the earn-out provisions of the Merger Agreement. PCC has placed \$10,000,000 in escrow to fund a portion of these contingent payments. At any time during the earn-out period, PCC may "buy-out" the remaining earn-out payments for amounts which vary during the term of the earn-out. Certain portions of the contingent payments may be converted into shares of PCC's common stock at specified conversion prices between \$20.80 and \$40.00 per share. The amount paid by PCC at closing and the escrowed amount were funded from available cash balances. PCC anticipates that any future contingent payments made by PCC will also be funded from available cash balances or available borrowings.

PCC's acquisition of MoreDirect will be accounted for under the purchase method of accounting.

Prior to the Merger, MoreDirect was a supplier of IT products for medium-to-large corporate and government organizations nationwide. MoreDirect will continue its business substantially in the manner conducted by it prior to the Merger as a wholly owned subsidiary of PCC under its existing management.

The Merger Agreement was approved by the sole director and sole shareholder of MoreDirect and the board of directors of PCC. The terms of the Merger Agreement, including the amount of consideration paid by PCC, were determined pursuant to arm's-length negotiations. Prior to the closing of the Merger, to PCC's knowledge none of PCC, its affiliates, officers or directors, or any associate of any such officer or director, had any material relationship with MoreDirect.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, which, as amended, is included as Exhibit 2.1 and as Exhibit 2.2 to this Current Report on Form 8-K and incorporated herein by reference. PCC's press release dated April 8, 2002, which is filed as Exhibit 99.1 to this Current Report on Form 8-K, is also incorporated herein by reference.

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

(a) Financial Statements of Businesses Acquired.

As of the date of filing of this Current Report on Form 8-K, it is impracticable for PCC to provide the financial information required by this Item 7(a). In accordance with item 7(a)(4) of Form 8-K, such financial information will be filed by amendment to this Form 8-K no later than June 21, 2002.

(b) Pro Forma Financial Information.

As of the date of filing of this Current Report on Form 8-K, it is impracticable for PCC to provide the financial information required by this Item 7(b). In accordance with item 7(b)(2) of Form 8-K, such financial information will be filed by amendment to this Form 8-K no later than June 21, 2002.

(c) Exhibits.

- 2.1 Agreement and Plan of Merger, dated March 25, 2002, by and among PC Connection, Inc., Boca Acquisition Corp., MoreDirect, Inc. and the stockholders of MoreDirect, Inc. set forth on Schedule I, incorporated by reference from Exhibit 10.51 to PCC's Annual Report on Form 10-K for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 1, 2002. (1)
- 2.2 Amendment No. 1 to the Agreement and Plan of Merger, dated April 5, 2002, by and among PC Connection, Inc., Boca Acquisition Corp., MoreDirect, Inc., Russell Madris, the sole stockholder of MoreDirect, Inc. and Michael Diamant, James Garrity and Scott Modist. (1)
- 99.1 Press Release for Consummation of the Merger.

(1) The exhibits and schedules to the Agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. PCC will furnish copies of any of the exhibits and schedules 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: April 11, 2002

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
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2.2	Amendment No. 1 to the Agreement and Plan of Merger, dated April 5, 2002, by and among PC Connection, Inc., Boca Acquisition Corp., MoreDirect, Inc., Russell Madris, the sole stockholder of MoreDirect, Inc. and Michael Diamant, James Garrity and Scott Modist. (1)
99.1	Press Release for Consummation of the Merger.

(1) The exhibits and schedules to the Agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. PCC will furnish copies of any of the exhibits and schedules to the U.S. Securities and Exchange Commission upon request.

AMENDMENT NO. 1 TO THE
AGREEMENT AND PLAN OF MERGER

This Amendment No. 1 to the Agreement and Plan of Merger, dated April 5, 2002, is entered into by and among PC Connection, Inc., a Delaware corporation (the "Buyer"), Boca Acquisition Corp., a Florida corporation and a wholly owned subsidiary of the Buyer (the "Transitory Subsidiary"), MoreDirect, Inc., a Florida Corporation (the "Company"), Russell L. Madris, as sole stockholder of the Company, and Michael Diamant, James Garrity and Scott Modist (the "Officers").

WITNESSETH

WHEREAS, the Buyer, the Transitory Subsidiary, the Company, Mr. Madris and the Officers are parties to that certain Agreement and Plan of Merger, dated as of March 25, 2002 (the "Merger Agreement"); and

WHEREAS, the Merger Agreement contemplates that the Officers will become stockholders of the Company prior to the Effective Time (as defined in the Merger Agreement) and it has been subsequently determined that the Officers shall not become stockholders of the Company.

NOW, THEREFORE, in consideration of the mutual covenants contained herein the Parent, the Transitory Subsidiary, the Company, Mr. Madris and the Officers agree as follows:

1. All references to "Company Stockholders" in the Merger Agreement shall be substituted with "Company Stockholder."

2. All references to "Stockholders Representative" shall be substituted with "Stockholder Representative."

3. Schedule I to the Merger Agreement and all references thereto in the Merger Agreement are hereby deleted.

4. Section 1.3 (f) of the Merger Agreement is deleted in its entirety and the following is inserted in lieu thereof:

"the Buyer shall deliver to the Company Stockholder a promissory note in the form attached hereto as Exhibit I (the "Promissory Note") representing the right to receive the Initial Merger Consideration (as defined in Section 1.6 below); and"

5. Section 5.2(o) of the Merger Agreement is deleted in its entirety and the following is inserted in lieu thereof:

"the Company shall cancel all Company Options and Company Warrants; and"

6. Section 6.5 of the Merger Agreement is hereby amended by inserting the following new Section 6.5(e) immediately following the existing Section 6.5(d):

"(e) Notwithstanding anything to the contrary set forth in Article VI or elsewhere in this Agreement, the Buyer's obligations under the Promissory Note, and the Company Stockholder's rights thereunder, shall be absolute and unconditional and shall not be subject to the provisions of this Article VI in any respect."

7. The parties hereby recognize that at all times since incorporation of the Company, Mr. Madris has been the only stockholder of the Company and shall be the only stockholder of the Company immediately prior to the Effective Time (as defined in the Merger Agreement).

8. The Officers, by executing this amendment, shall be deemed not to be parties to the Merger Agreement for all purposes thereof, including without limitation Section 8.11.

9. Except as expressly amended hereby, all of the terms and conditions of the Merger Agreement shall continue in full force and effect.

10. This Amendment may be executed in any number of counterparts, each of which shall be an original but all of which taken together shall constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this Amendment No. 1 to the Merger Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

PC CONNECTION, INC.

/s/ Wayne L. Wilson

Name: Wayne L. Wilson
Title: President

BOCA ACQUISITION CORP.

/s/ Wayne L. Wilson

Name: Wayne L. Wilson
Title: Chief Operating Officer

MOREDIRECT, INC.

/s/ Russell L. Madris

Name: Russell L. Madris
Title: C.E.O.

COMPANY STOCKHOLDER

/s/ Russell L. Madris

Russell L. Madris

OFFICERS

/s/ Michael Diamant

Michael Diamant

/s/ James R. Garrity

James R. Garrity

/s/ Scott J. Modist

Scott J. Modist

PC CONNECTION, INC.

NEWS RELEASE

PC CONNECTION, INC. COMPLETES MOREDIRECT ACQUISITION

MERRIMACK, N.H.--(BUSINESS WIRE)--April 8, 2002--PC Connection, Inc. (NASDAQ: PCCC - news), a leading direct marketer of information technology (IT) products and solutions, today announced that it has completed the acquisition of MoreDirect, Inc., a premier e-procurement supplier of IT products for medium-to-large corporate and government organizations nationwide.

Ken Koppel, Chief Executive Officer of PC Connection, Inc., said, "The acquisition of MoreDirect is consistent with our strategy of acquiring businesses that give us the opportunity to reach new market segments, as well as add talent to our management team. We believe Russell Madris, President of MoreDirect, has developed a high quality sales force and a very successful e-procurement system that effectively services medium-to-large corporate and government customers."

MoreDirect's Internet-based system enables corporate and government customers to efficiently source, evaluate, purchase and track a wide variety of IT products. The Company will operate under the MoreDirect trade name as a wholly-owned subsidiary of PC Connection from its current facilities in Boca Raton, Florida.

Commenting on the acquisition, Russell Madris said, "Joining the PC Connection family of companies will allow MoreDirect access to additional capital, marketing programs and other resources. Our customers will benefit from PC Connection's wide range of service offerings, including overnight custom configuration, as well as their additional inventory and logistics capabilities. We look forward to pursuing new growth opportunities as a subsidiary of PC Connection, one of the largest and best-known IT direct marketing companies in the industry."

About PC Connection, Inc.

PC Connection, Inc., a Fortune 1000 company, has two sales subsidiaries, PC Connection Sales Corporation of Merrimack, NH and GovConnection, Inc. of Rockville, MD. PC Connection Sales Corporation is a rapid-response provider of IT products and solutions offering more than 100,000 brand-name products to businesses through its staff of technically trained outbound sales account managers and catalog telesales representatives, its comprehensive web sites at www.pconnection.com and www.macconnection.com, and its catalogs PC Connection (1-800-800-5555) and MacConnection (1-800-800-2222). GovConnection, Inc. is a rapid-response provider of IT products and solutions, offering more than 100,000 brand-name products to federal, state and local agencies and educational institutions (1-800-800-0019). Both subsidiaries can deliver custom-configured computer systems overnight.

About MoreDirect, Inc.

MoreDirect, Inc. provides corporate technology buyers with a comprehensive web-based e-procurement solution and in-depth IT supply-chain expertise. MoreDirect serves as a one-stop source by aggregating more than 350,000 products from the inventories of leading IT wholesale distributors and manufacturers.

MoreDirect has a web-based system that enables IT corporate buyers to view the inventories of multiple wholesale distributors and manufacturers at a single source and provides valuable IT supply-chain knowledge and asset management functionality.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: This release 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" in the Company's 2001 Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2001. Such risks and uncertainties include the ability to realize the expected advantages of the proposed merger, market demand for and competitive pricing pressures on the products and services marketed by the Company, the continued acceptance of the Company's distribution channel by vendors and customers, continuation of key vendor relationships and support programs and the ability of the Company to hire and retain qualified sales account managers and other essential personnel.

Contact:

PC Connection, Inc.
David Beffa-Negrini
(603) 423-2167