

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

PC CONNECTION, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

5961  
(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)

NEW HAMPSHIRE

02-0372768

(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER IDENTIFICATION  
NUMBER)

528 ROUTE 13  
MILFORD, NEW HAMPSHIRE 03055  
(603) 423-2000  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF  
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

PATRICIA GALLUP  
CHAIRMAN OF THE BOARD, PRESIDENT  
AND CHIEF EXECUTIVE OFFICER  
PC CONNECTION, INC.

528 ROUTE 13  
MILFORD, NEW HAMPSHIRE 03055  
(603) 423-2000

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,  
OF AGENT FOR SERVICE)

COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as  
practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on  
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, check the following box.

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, check the following box and  
list the Securities Act registration statement number of earlier effective  
registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434,  
please check the following box.

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)(2)	AMOUNT OF REGISTRATION FEE
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Common Stock, \$.01 par value per share.....	\$57,500,000	\$17,425
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(1) Includes shares that the Underwriters have the option to purchase from the Company and certain stockholders of the Company to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +  
 +REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +  
 +SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +  
 +OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +  
 +BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +  
 +THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +  
 +SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +  
 +UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +  
 +ANY SUCH STATE. +  
 +-----+  
 SUBJECT TO COMPLETION, DATED NOVEMBER 26, 1997

PROSPECTUS  
 , 1998

SHARES  
 PC CONNECTION, INC.  
 COMMON STOCK

All the shares of Common Stock, \$0.01 par value per share (the "Common Stock"), offered hereby (the "Offering") are being sold by PC Connection, Inc. ("PC Connection" or the "Company").

Prior to the Offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial price to the public will be between \$ and \$ per share. See "Underwriting" for information relating to the factors to be considered in determining the initial price to the public.

Application has been made for quotation of the Common Stock on the Nasdaq National Market under the symbol "PCCC."

SEE "RISK FACTORS" BEGINNING ON PAGE 7 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO THE PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO THE COMPANY(2)
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

- (1) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting" for indemnification arrangements with the Underwriters.
- (2) Before deducting expenses payable by the Company estimated at \$ .
- (3) The Company and certain stockholders (the "Selling Stockholders") of the Company have granted to the Underwriters a 30-day option to purchase up to an aggregate of additional shares at the Price to the Public, less Underwriting Discounts and Commissions, solely to cover over-allotments, if any. If the option is exercised in full, the total Price to the Public, Underwriting Discounts and Commissions, Proceeds to the Company and the Proceeds to the Selling Stockholders will be \$ , \$ , \$ and \$ , respectively. See "Principal Stockholders" and "Underwriting."

The shares of Common Stock are being offered by the several Underwriters subject to prior sale, when, as and if issued and accepted by them, subject to certain prior conditions, including the right of the Underwriters to reject any order in whole or in part. It is expected that delivery of the shares of Common Stock will be made in New York, New York on or about , 1998.

DONALDSON, LUFKIN & JENRETTE  
 SECURITIES CORPORATION

NATIONSBANC MONTGOMERY SECURITIES, INC.  
 WILLIAM BLAIR & COMPANY

[ART WORK TO BE SUPPLIED OF COMPANY  
CATALOGS, FACILITIES AND PRODUCTS]

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVER-ALLOT IN CONNECTION WITH THE OFFERING AND MAY BID FOR AND PURCHASE SHARES OF THE COMMON STOCK IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

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PC Connection(R), MacConnection(R) and Everything Overnight(R) are registered trademarks of the Company. This Prospectus also includes product and company names, trademarks and trade names of companies other than the Company.

## PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Unless otherwise indicated, all information in this Prospectus assumes no exercise of the Underwriters' over-allotment option.

### THE COMPANY

PC Connection is a leading direct marketer of brand-name personal computers and related peripherals, software, accessories and networking products. The Company's primary target customers are small and medium-sized organizations ("SMORGS") comprised of 20 to 1,000 employees. PC Connection sells its products through a combination of targeted direct mail catalogs, outbound telemarketing, its Internet Web site and advertisements on the Internet and in selected computer magazines. The Company offers a broad selection of approximately 15,000 products targeted for business use at competitive prices, including products from Compaq, Hewlett-Packard, Toshiba, IBM, Microsoft, Sony, Hitachi and Apple. The Company's most frequently ordered products are carried in inventory and are typically shipped to customers the same day that the order is received.

The Company has experienced rapid growth in sales, profitability, number of orders and average order size as a result of: (i) a substantial increase in the number and assortment of products carried by the Company; (ii) increases in outbound telemarketing personnel and improvements in productivity; (iii) increases in catalog circulation; and (iv) improvements in inbound telemarketing productivity. The Company recorded net sales of \$333.3 million and income from operations of \$7.5 million in 1996, representing increases of 32.2% and 193.4%, respectively, over 1995. In the nine months ended September 30, 1997, the Company recorded net sales of \$383.5 million and income from operations of \$12.5 million, representing increases of 70.4% and 182.2%, respectively, over the comparable period in 1996. Net sales of Microsoft Windows or MS-DOS based personal computers ("PCs") and compatible products were approximately 77% of net sales for the nine months ended September 30, 1997.

According to industry data published by Merrin Information Services, Inc. ("Merrin") in May 1997, domestic sales of personal computers and related products were \$77.8 billion in 1996 and are projected to be \$138.2 billion in 2000, representing a compound annual growth rate of 15.4%. The Company believes that the direct marketing channel will be among the fastest growing distribution channels for the domestic personal computer and related products industry. As a leading participant in the direct marketing channel, the Company believes it is well positioned to capitalize on the expected growth in the industry.

The Company's growth strategies are to: (i) increase penetration of its existing customer base; (ii) broaden its product offerings to include higher margin products such as network servers and communications equipment; and (iii) expand its customer base. The Company plans to target a greater number of its existing customers with outbound telemarketing, more aggressively pursue first-to-market product offerings, provide specialized offerings to targeted segments of its customer base and increase its investments in electronic commerce and Internet related marketing opportunities.

Since its founding in 1982, the Company has focused on serving customer needs by providing innovative, reliable and timely customer service and technical support, and offering an extensive assortment of branded products, through knowledgeable, well-trained sales and support teams. The effectiveness of this strategy is reflected in the recognition accorded the Company, including the Company's receipt of the PC World "World Class Award for Best Mail-Order Company" in 1997, as voted by its readers, for the seventh time in the past eight years, and receipt of the highest ranking of only two direct resellers included in the first-ever ranking of the "100 Most Influential Companies in the Computer Industry" by PC Magazine in July 1997.

The Company believes that its consistent customer focus has also resulted in the development of strong brand name recognition and a broad and loyal customer base. At September 30, 1997, the Company's mailing list consisted of approximately 2,000,000 customers and potential customers, of which approximately 500,000 had purchased products from the Company within the last twelve months. Approximately 65% of the Company's orders in the nine months ended September 30, 1997 and in the year ended December 31, 1996 were placed by customers who had previously purchased products from the Company. The Company believes it has also developed strong relationships with vendors, resulting in favorable product allocations and marketing assistance.

Commencing in late 1995, the Company significantly increased its business-to-business marketing efforts targeting SMORGS, a rapidly growing sector of the personal computer market that the Company believes is particularly receptive to purchases from direct marketers. To serve this growing part of its business more effectively, the Company has increased the number of its outbound telemarketing account managers from 48 at December 31, 1995 to 156 at September 30, 1997, including 86 new account managers with less than 12 months of outbound telemarketing experience with the Company. Historically, outbound account managers become significantly more productive in their second year with the Company. In addition, in late 1995 the Company initiated programs to increase training of inbound telemarketing personnel and to provide incentive compensation based upon sales productivity.

The Company's two major catalogs are PC Connection(R), focused on PCs and compatible products, and MacConnection(R), focused on Apple Macintosh personal computers ("Macs") and compatible products. With colorful illustrations, concise product descriptions, relevant technical information, along with customer service benefits and toll-free telephone numbers for ordering, the Company's catalogs are recognized as a leading source for personal computer hardware, software and other related products. The Company distributed approximately 24 million catalogs during the nine months ended September 30, 1997.

The Company also markets its products and services through its Internet Web site, [www.pcconnection.com](http://www.pcconnection.com), which provides customers and prospective customers with Company and product information and enables customers to place electronic orders for all of the Company's products. The Company believes that as the Internet becomes a more important commercial medium, it will be well positioned to capitalize on growth through this emerging channel.

The Company has a 102,000-square foot, full-service distribution and order fulfillment center in Wilmington, Ohio and a related 25,700-square foot warehouse in Xenia, Ohio. The Company also operates telemarketing centers in Hudson, Keene and Milford, New Hampshire.

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The Company's principal executive offices are located at 528 Route 13, Milford, New Hampshire 03055, and its telephone number is (603) 423-2000. The Company's Internet Web site is located at [www.pcconnection.com](http://www.pcconnection.com). Neither the information contained in the Company's Internet Web site nor Internet Web sites linked to the Company's Internet Web site shall be deemed to be a part of this Prospectus.

REORGANIZATION OF THE COMPANY

The Company was incorporated in New Hampshire in September 1983 and expects to amend and restate its Articles of Incorporation immediately prior to consummation of the Offering. Pursuant to this amendment the Company will convert all of the issued and outstanding shares of Series A Non-Voting Common Stock, \$.01 par value per share, (the "Non-Voting Common Stock") and Series B Voting Common Stock, \$.01 par value per share (the "Voting Common Stock" and together with the Non-Voting Common Stock, the "Company Common Stock"), into a single series of Voting Common Stock, \$0.01 par value per share, on a -for-one basis (the "Recapitalization").

For all periods described in the Prospectus, the Company has elected to be treated as an S Corporation under Subchapter S of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable state tax laws. As a result of the S Corporation status of the Company, the stockholders of the Company were taxed directly on the earnings of the Company. Upon the consummation of the Offering, the status of the Company as an S Corporation will terminate and the Company will be subject to federal and state income taxes at applicable corporate tax rates (the "S Corporation Termination," and together with the Recapitalization, the "Reorganization"). Prior to the consummation of the Offering, the Company will declare a dividend (the "S Corporation Dividend") to its then existing stockholders (the "S Corporation Stockholders") in the aggregate amount of approximately \$ million, which amount is equal to substantially all previously taxed, but undistributed, S Corporation earnings. After the consummation of the Offering, the Company will use a portion of the net proceeds from the Offering to pay the S Corporation Dividend to the S Corporation Stockholders. See "Use of Proceeds."

THE OFFERING

Common Stock offered by the Company.....	shares
Common Stock to be outstanding after the Offering.....	shares(1)
Use of Proceeds.....	Repayment of debt; payment of the S Corporation Dividend; and working capital and other general corporate purposes. See "Use of Proceeds."
Proposed Nasdaq National Market symbol.....	PCCC

(1) Does not include (a) shares of Common Stock issuable upon the exercise of stock options outstanding as of November , 1997 with a weighted average exercise price of \$ per share and (b) an additional shares of Common Stock reserved for future issuance under the Company's 1993 Incentive and Non-Statutory Stock Option Plan, 1997 Stock Incentive Plan and 1997 Employee Stock Purchase Plan.

SUMMARY FINANCIAL AND OPERATING DATA

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1996	1997
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND SELECTED OPERATING DATA)							
<b>STATEMENT OF OPERATIONS</b>							
DATA:							
Net sales.....	\$ 147,627	\$ 163,390	\$ 196,659	\$ 252,217	\$ 333,322	\$ 225,074	\$ 383,460
Gross profit.....	25,748	26,124	30,702	40,918	51,205	35,430	53,452
Income (loss) from operations.....	1,242	(3,478)	(1,951)	2,545	7,466	4,425	12,487
Net income (loss).....	124	(3,385)	(2,341)	1,273	4,756	2,101	2,452
<b>PRO FORMA DATA(1):</b>							
Net income.....					\$ 3,750		\$ 6,967
Net income per share.....					\$		\$
					=====		=====
Weighted average number of common and common equivalent shares outstanding(2).....							
					=====		=====
<b>SELECTED OPERATING DATA:</b>							
Active customers(3)....	246,000	258,000	295,000	353,000	424,000	401,000	492,000
Catalogs distributed...	6,000,000	10,000,000	16,900,000	16,800,000	18,600,000	11,200,000	24,000,000
Orders entered(4).....	661,000	695,000	803,000	854,000	910,000	628,000	891,000
Average order size.....	\$ 248	\$ 264	\$ 282	\$ 346	\$ 453	\$ 445	\$ 512

AS OF SEPTEMBER 30, 1997

	ACTUAL	PRO FORMA PRO FORMA(6)	AS ADJUSTED(5)
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BALANCE SHEET DATA:

Working capital.....	\$16,477	\$(9,523)
Total assets.....	95,549	95,549
Short-term debt.....	9,380	9,380
Long-term debt (less current portion).....	3,500	3,500
Total stockholders' equity.....	21,280	(4,720)

- (1) The pro forma adjustments give effect to (i) the elimination of additional stockholder/officer compensation expense of \$1,139 and \$8,540 for the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively, representing amounts in excess of aggregate annual base salaries of \$600 to be in effect as of the closing date of the Offering and (ii) the Reorganization, including the provision for income taxes at an assumed rate of 39% based upon pro forma income of the Company as if it had not elected to be treated as an S Corporation. Increases in taxes amounted to \$2,145 and \$4,025 for the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively.
- (2) The pro forma weighted average number of common and common equivalent shares outstanding assumes that (i) all shares of stock issuable upon exercise of all stock options granted in 1997 were outstanding and (ii) a number of shares determined by dividing (x) the S Corporation Dividend (which if made at September 30, 1997 would have approximated \$26,000) by (y) the mid-point of the range set forth on the cover page of this Prospectus, were outstanding.
- (3) All customers included in the Company's mailing list who have made a purchase within the last twelve-month period.
- (4) Does not reflect cancellations or returns.
- (5) Adjusted to give effect to the Reorganization, the Offering and the application of the estimated net proceeds therefrom.
- (6) Reflects the declaration of the S Corporation Dividend estimated to be in the amount of \$26,000 at September 30, 1997.



## RISK FACTORS

In addition to the other information contained in this Prospectus, the following factors should be carefully considered by prospective investors when evaluating an investment in the Common Stock offered hereby.

### MANAGING RAPID GROWTH

Net sales have grown from \$147.6 million for the year ended December 31, 1992 to \$383.5 million for the nine months ended September 30, 1997. This growth has placed increasing demands on the Company's management resources and facilities. The Company's business strategy is to pursue additional growth and expand its customer base, which is likely to result in additional demands on the Company's resources. The Company's future success will depend in part on the ability of the Company to manage its growth effectively. See "Business--Growth Strategy."

### RISKS RELATED TO TRANSITION OR EXPANSION OF FACILITIES

In November 1997, the Company entered into a fifteen-year lease for a new 103,000 square foot corporate headquarters facility in Merrimack, New Hampshire with a company controlled by the Company's principal stockholders. Significant renovation to this facility is required prior to occupancy by the Company. The Company expects to relocate its operations to this new facility and vacate its current leased facility in Milford, New Hampshire in the summer of 1998. The Company will likely incur certain moving and other costs, not expected to exceed \$500,000, relating to this relocation which would be charged to operating results in the period incurred. Any significant delay in the renovation of the new facility, or unanticipated expense, capital cost or disruption of the Company's business or operations caused by the relocation to the new facility, could have a material adverse effect on the Company's financial position, results of operations and cash flows. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Certain Transactions--Leases."

While the Company believes that its existing distribution, fulfillment and warehouse facilities in Wilmington and Xenia, Ohio will be sufficient to support the Company's anticipated needs through the next 12 months, additional and/or alternative facilities for distribution and inventory may be required to support significant future growth beyond 1998. There can be no assurance that suitable facilities will be available, and in the absence of such facilities, future growth could be impaired. See "Business--Distribution" and "Business--Facilities."

If the Company is unable to generate increased sales and gross profit sufficient to absorb increased overhead and other costs associated with its relocation and potential expansion, the Company would likely experience lower profit margins which could have a material adverse effect on the Company's financial position, results of operations and cash flows.

### DEPENDENCE ON MANAGEMENT INFORMATION SYSTEMS

The Company's success is dependent on the accuracy, reliability and proper use of its management information systems, including its telephone system, and the information generated by its management information systems. Although the Company has some redundant systems for data backup, the Company does not currently have redundant systems for all functions or a redundant or back-up telephone system. Any interruption in these systems or in telephone service could have a material adverse effect on the Company's financial position, results of operations and cash flows.

The Company recognizes the need to continually upgrade its management information systems to most effectively manage its operations and customer data base. The Company plans to convert its order management and fulfillment systems to new software by the end of the second quarter of 1998. While the Company will maintain its existing systems in place as a backup if the conversion is not successful, there can be no assurance that the transition to the new software will be accomplished without interrupting the Company's business. This new software is designed to be Year 2000 compliant, however, there can be no assurance that the software

contains all necessary data code changes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Management Information Systems."

#### RAPID TECHNOLOGICAL CHANGE AND EXPOSURE TO INVENTORY OBSOLESCENCE

The market for personal computer products is characterized by rapid technological change and the frequent introduction of new products and product enhancements. The Company's success depends in part on its ability to identify and market products that meet the needs of the marketplace. In order to satisfy customer demand and to obtain favorable purchasing discounts, the Company expects to carry increased inventory levels of certain products in the future, which will subject it to increased risk of inventory obsolescence. In the implementation of its business strategy, the Company intends, among other things, to place larger than typical inventory stocking orders, increase its participation in first-to-market purchase opportunities, and may in the future participate in end-of-life-cycle purchase opportunities and market products on a private-label basis, all of which will further increase the risk of inventory obsolescence. While the Company seeks to reduce its inventory exposure through a variety of inventory control procedures and policies, including vendor price protection and product return programs where available, special purchase products are sometimes acquired without return privileges and there can be no assurance that the Company will be able to avoid losses related to obsolete inventory. In addition, some manufacturers provide the Company with co-op advertising support in the form of products, for which there may be no return privileges. Finally, certain build-to-order programs currently being implemented by some computer systems manufacturers will likely include reductions in the levels of price protection and product returns made available by such manufacturers. See "Business--Products and Merchandising."

#### AVAILABILITY AND ALLOCATION OF GOODS; RELIANCE ON VENDOR SUPPORT AND RELATIONSHIPS

The Company acquires products for resale from manufacturers as well as from distributors. Purchases of products from the five vendors supplying the greatest amount of goods to the Company constituted 48.0% and 47.2%, respectively, of the Company's total product purchases in the year ended December 31, 1996 and the nine months ended September 30, 1997. Among these five vendors, purchases from Ingram Micro, Inc. ("Ingram Micro") represented 28.4% and 29.5%, respectively, of the Company's total product purchases in the year ended December 31, 1996, and the nine months ended September 30, 1997. No other vendor supplied more than 10% of the Company's total product purchases in the year ended December 31, 1996 or the nine months ended September 30, 1997. Although the loss of Ingram Micro could cause a short-term disruption in the availability of products and could have a material adverse effect on the Company's financial position, results of operations and cash flows, the Company believes that alternative sources for products are available.

Sales of products dependent on the Mac platform, including products manufactured by Apple Computer, Inc. ("Apple"), represented 23.0% and 22.6% of the Company's net sales in the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively. Apple has been experiencing a decline in revenues and in its share of the worldwide and domestic personal computer markets, as well as operating losses. In November 1997, Apple announced that it will sell built-to-order computers directly to customers over the Internet. However, it also indicated that it is not abandoning traditional retail and direct marketing outlets. The Company cannot predict whether this action by Apple will affect the future supply of Macs to the Company. The Company's sales of personal computers and other products manufactured by Apple may be limited if the Company's reseller agreement with Apple is curtailed or terminated or if product availability or financing is otherwise restricted. Any decline in the availability of, or demand for, Macs may have a material adverse effect on the Company's financial position, results of operations and cash flows. See "Business--Products and Merchandising."

Substantially all of the Company's contracts and arrangements with its vendors that supply significant quantities of products are terminable by such vendors or the Company without notice or upon short notice. Most of the Company's product vendors provide the Company with trade credit, of which the net amount outstanding at September 30, 1997 was \$39.1 million. Termination, interruption or contraction of the Company's relationships with its vendors, including a reduction in the level of trade credit provided to the Company, could have a material adverse effect on the Company's financial position, results of operations and cash flows. See "Business--Purchasing and Vendor Relations."

Certain product manufacturers either do not permit the Company to sell the full line of their products or limit the number of product units available to direct marketers such as the Company. An element of the Company's business strategy is to increase its participation in first-to-market purchase opportunities. In the past, availability of certain desired products, especially in the direct marketing channel, has been constrained. The inability to source first-to-market purchase or similar opportunities, or the reemergence of significant availability constraints, could have a material adverse effect on the Company's financial position, results of operations and cash flows.

Some product manufacturers and distributors provide the Company with substantial incentives in the form of payment discounts, supplier reimbursements, price protections and rebates. No assurance can be given that the Company will continue to receive such incentives or that it will be able to collect outstanding amounts relating to these incentives in a timely manner or at all.

Most product manufacturers provide the Company with co-op advertising support in exchange for product coverage in the Company's catalogs. This support significantly defrays the expense of catalog production. The level of co-op advertising support available to the Company from certain manufacturers has declined. The level of support from some manufacturers may further decline in the future. Such a decline could increase the Company's selling, general and administrative expenses as a percentage of sales and have a material adverse effect on the Company's financial position, results of operations and cash flows. See "Business--Purchasing and Vendor Relations."

#### COMPETITIVE, PRICING AND ECONOMIC RISKS

The Company competes with many national and international direct marketers; product manufacturers that sell directly to end users; specialty personal computer retailers; personal computer and general merchandise superstores; consumer electronic and office supply stores; and shopping services on television, the Internet and commercial on-line networks. The Company competes not only for customers, but also for co-op advertising support from personal computer product manufacturers. Some of the Company's competitors are larger and have substantially greater financial resources, superior operating results, and larger catalog circulations and customer bases than the Company. In addition, several direct marketers have recently been acquired by larger competitors. This industry consolidation could result in short-term price-cutting in certain markets. There can be no assurance that the Company will be able to compete effectively with existing competitors or any new competitors that may enter the market, or that the Company's financial position, results of operations and cash flows will not be adversely affected by intensified competition. See "Business--Competition."

In addition, the personal computer industry has experienced intense price competition. The Company believes that price competition may increase in the future and that such competition could result in a reduction of the Company's profit margins. Also, the Company has recently increased its sales of personal computer hardware products that generally produce lower profit margins than those associated with software products. Significant margin decreases could have a material adverse effect on the Company's financial position, results of operations and cash flows. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The market for personal computers and related products has grown rapidly in recent years. Recent statements by industry observers have indicated that there may be a slowdown in the growth rate of the personal computing industry. If the growth of this market or the direct marketing channel were to cease or decrease, the Company's financial position, results of operations and cash flows would be materially adversely affected. Demand for many of the products carried by the Company may be subject to economic cycles. The Company's business and growth could be affected by the spending patterns of existing or prospective customers, a recession or prolonged economic slowdown, the cyclical nature of capital expenditures of businesses, continued competition and pricing pressures and other trends in the general economy, any one of which could have a material adverse effect on the Company's financial position, results of operations and cash flows.

#### DEPENDENCE ON THIRD PARTY SHIPPERS; POTENTIAL INCREASES IN SHIPPING, PAPER AND POSTAGE COSTS

The Company ships approximately 90% of its products to customers by Airborne Freight Corporation D/B/A "Airborne Express" ("Airborne Express"), with the remainder being shipped by United Parcel Service of America, Inc. and other overnight delivery and surface services. Strikes or other service interruptions by such shippers could adversely affect the Company's ability to market or deliver product on a timely basis. Additionally, shipping costs are a significant expense in the operation of the Company's business. The Company generally invoices customers for shipping and handling charges. There can be no assurance that the full cost, including any future increases in the cost, of commercial delivery services can be passed on to the Company's customers, which could have a material adverse effect on the Company's financial position, results of operations and cash flows. See "Business--Distribution" and "Business--Marketing and Sales."

The Company incurs substantial paper and postage costs related to its marketing activities including its catalog production and mailings. Although these costs are currently offset by cooperative advertising rebates from vendors, any increases in postal or paper costs could have a material adverse effect on the Company's financial position, results of operations and cash flows.

#### HISTORICAL NET LOSSES; VARIABILITY OF QUARTERLY RESULTS

The Company has experienced significant fluctuations in its operating results, and these fluctuations may continue in the future. The Company incurred net losses in the years ended December 31, 1993 and 1994. The Company's results of operations are significantly affected by many factors, including seasonal and other fluctuations in demand for personal computer products and in profit margins on products sold, catalog timing and circulation, product availability, and timing of releases of new and upgraded products. Many of these factors are outside the control of the Company. The Company's operating results are heavily dependent upon its ability to predict sales levels, monitor and control associated expenses, and carefully manage all aspects of its operations, including product selection and pricing, purchasing and payables practices, inventory management, and catalog funding, production and circulation. If revenues do not meet expectations in any given quarter, or if the Company experiences difficulty in monitoring or controlling associated expenses, the Company's financial position, results of operations and cash flows may be materially adversely affected. There can be no assurance that the Company will be profitable on a quarterly or annual basis. It is possible that in some future quarter the expectations of public market analysts and investors will exceed the Company's operating results. In such event, the price of the Common Stock would likely be materially adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Selected Quarterly Financial Results."

#### CHANGING METHODS OF DISTRIBUTION

The manner in which personal computers and related products are distributed and sold is changing, and new methods of distribution and sale, such as on-line 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. Certain of the Company's vendors, including Apple, Compaq Computer Corporation ("Compaq") and International Business Machine Corporation ("IBM"), currently sell some of their products directly to end users. 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 the Company's financial position, results of operations and cash flows.

#### STATE SALES OR USE TAX COLLECTION UNCERTAINTIES

The Company presently collects sales tax only on sales of products to residents of the State of Ohio. Sales to customers located within the State of Ohio were approximately 2% of the Company's net sales during the nine months ended September 30, 1997. 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. The United States Supreme Court recently 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 to the 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, the Company's contact with many states may exceed the contact involved in the Supreme Court case. The Company cannot predict the level of contact that is sufficient to permit a state to impose on the Company a sales tax collection obligation. If the Supreme Court changes its position or if legislation is passed to overturn the Supreme Court's recent decision, the imposition of a sales or use tax collection obligation on the Company in states to which it ships products would result in additional administrative expenses to the Company, could result in price increases to the customer, and could reduce demand for the Company's products or could otherwise have a material adverse effect on the Company's financial position, results of operations and cash flows.

#### DEPENDENCE ON KEY PERSONNEL

The Company's future performance will depend to a significant extent upon the efforts and abilities of its senior executives. Although the Company has various programs in place to motivate, reward and retain its management team, including annual incentive plans and stock option plans, the competition for qualified management personnel in the personal computer products industry is very intense, and the loss of service of one or more of these persons could have an adverse effect on the Company's business. The Company's success and plans for future growth will also depend on its ability to hire, train and retain skilled personnel in all areas of its business, including account managers and technical support personnel. There can be no assurance that the Company will be able to attract, train and retain sufficient qualified personnel to achieve its business objectives. See "Management."

#### CONTROL BY PRINCIPAL STOCKHOLDERS

After consummation of the Offering, Patricia Gallup and David Hall, the principal stockholders of the Company, will beneficially own or control, in the aggregate, approximately % of the outstanding shares of Common Stock ( % if the Underwriters' over-allotment option is exercised in full). Because of their beneficial stock ownership, these stockholders will be able to continue to elect the members of the Board of Directors and decide all matters requiring stockholder approval. The Company has entered into various transactions with the principal stockholders. See "Principal Stockholders" and "Certain Transactions."

#### NO PRIOR PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to the Offering, there has been no public market for the Common Stock. The initial public offering price of the Common Stock will be determined by negotiations between the Company and the Representatives of the Underwriters, and may not be indicative of the market price for the Common Stock in the future. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. There can be no assurance that an active trading market for the Common Stock will develop or be sustained after the Offering. If a trading market develops, the market price of the Common Stock may fluctuate widely as a result of various factors, such as period-to-period fluctuations in the Company's operating results, sales of Common Stock by principal stockholders, developments in the personal computer industry or the methods of distribution of personal computer products, competitive factors, regulatory developments, economic and other external factors, general market conditions, and market conditions affecting stocks of personal computer

products manufacturers and resellers in particular. The stock market in general, and the stocks of personal computer product resellers in particular, have in the past experienced extreme volatility in trading prices and volumes that has often been unrelated to operating performance. Such market volatility may have a significant adverse affect on the market price and marketability of the Common Stock. See "Underwriting."

#### SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, the Company will have        shares of Common Stock outstanding. The shares of Common Stock sold in the Offering will be freely tradeable without restriction or further registration under the Securities Act of 1933, as amended (the "Securities Act"), unless held by an "affiliate" of the Company, as that term is defined under Rule 144 of the Securities Act, which shares will be subject to the resale limitations of Rule 144. In connection with the Offering, the existing stockholders and holders of stock options exercisable within 180 days after the date of this Prospectus have agreed not to dispose of any shares for a period of 180 days from the date of this Prospectus, and the Company has agreed not to dispose of any shares (other than shares sold by the Company in the Offering or issuances by the Company of certain employee stock options and shares covered thereby) for a period of 180 days from the date of this Prospectus, without the prior written consent of Donaldson, Lufkin and Jenrette Securities Corporation. Upon expiration of such 180-day period, all shares of Common Stock held by the existing stockholders (        shares) will be eligible for sale subject to certain volume and other limitations of Rule 144 under the Securities Act applicable to "affiliates" of the Company and all shares of stock acquired upon exercise of stock options may be sold pursuant to a registration statement to be filed by the Company. No prediction can be made as to the effect, if any, that market sales of shares of Common Stock or the availability of shares of Common Stock for sale will have on the market price of the Common Stock from time to time. The sale of a substantial number of shares held by the existing stockholders, whether pursuant to a subsequent public offering or otherwise, or the perception that such sales could occur, could adversely affect the market price of the Common Stock and could materially impair the Company's future ability to raise capital through an offering of equity securities. See "Shares Eligible for Future Sale" and "Underwriting."

#### IMMEDIATE AND SUBSTANTIAL DILUTION

Investors in the Common Stock in the Offering will experience immediate and substantial dilution in the net tangible book value of their shares. Assuming an initial public offering price of \$        per share, dilution to new investors would be \$        per share. Additional dilution will occur upon exercise of outstanding stock options. If the Company seeks additional capital in the future, the issuance of shares or convertible debt to obtain such capital may lead to further dilution. See "Dilution."

#### USE OF PROCEEDS

The net proceeds to the Company from the sale of the \_\_\_\_\_ shares of Common Stock offered by the Company hereby are estimated to be approximately \$ \_\_\_\_\_ (\$ \_\_\_\_\_ if the Underwriters' over-allotment option is exercised in full), after deducting estimated underwriting discounts and commissions and estimated offering expenses, based on an assumed initial price to the public of \$ \_\_\_\_\_ per share (the mid-point of the range set forth on the cover page of this Prospectus).

The Company plans to use approximately \$ \_\_\_\_\_ of the net proceeds from the Offering to repay bank indebtedness comprising \$ \_\_\_\_\_ million of term debt and \$ \_\_\_\_\_ million of short-term borrowings, each having a maturity date of March 31, 2002, and bearing interest at the prime rate (8.0% per annum at the date of this Prospectus), and approximately \$ \_\_\_\_\_ of the net proceeds from the Offering to pay the S Corporation Dividend.

The Company intends to use any remaining net proceeds for general corporate purposes, including working capital. Pending such uses, the net proceeds of the Offering will be invested in interest-bearing or dividend-bearing, investment grade securities.

#### DIVIDEND POLICY

The Company currently intends to retain its future earnings and has no plans to pay cash dividends in the foreseeable future, other than the declaration of the S Corporation Dividend (estimated to be approximately \$ \_\_\_\_\_ million) prior to the consummation of the Offering. The payment of future dividends will be determined by the Board of Directors of the Company in light of conditions then existing, including the Company's financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board of Directors. There can be no assurance that the Company will determine to pay any cash dividends in the future.

CAPITALIZATION

The following table sets forth the cash, debt and capitalization of the Company as of September 30, 1997 (i) on an actual basis, (ii) on a pro forma basis reflecting the S Corporation Dividend and (iii) on a pro forma as adjusted basis reflecting the sale of shares of Common Stock offered hereby and the application of the estimated net proceeds from the Offering based on an assumed initial price to the public of \$ per share (the mid-point of the range set forth on the cover page of this Prospectus).

	AS OF SEPTEMBER 30, 1997		
	ACTUAL	PRO FORMA(1)	PRO FORMA AS ADJUSTED(2)
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)		
Cash.....	\$ 723	\$ 723	\$
Short-term borrowings.....	\$ 8,130	\$ 8,130	\$
Long-term debt (including current portion).....	4,750	4,750	
Total debt.....	12,880	12,880	
Stockholders' equity (deficiency):			
Common stock, \$.01 par value: 7,500,000 shares of Non-Voting Common Stock and 2,500,000 shares of Voting Common Stock authorized, and 6,750,000 shares of Non-Voting Common Stock and 2,250,000 shares of Voting Common Stock issued and outstanding, actual and pro forma; shares of Common Stock authorized, and shares of Common Stock issued and outstanding, pro forma as adjusted(2).....	90	90	
Preferred stock, \$.01 par value: shares authorized and none issued and outstanding pro forma as adjusted(2).....			
Additional paid in-capital.....	4,037	4,037	
Retained earnings (deficit).....	17,153	(8,847)	
Total stockholders' equity.....	21,280	(4,720)	
Total capitalization.....	\$ 34,160	\$ 8,160	\$

(1) Reflects the declaration of the S Corporation Dividend estimated to be in the amount of \$26,000 at September 30, 1997.

(2) Gives effect to the Reorganization, the Offering and the application of the estimated net proceeds therefrom. Excludes (a) shares of Common Stock issuable upon the exercise of stock options outstanding as of November , 1997 with a weighted average exercise price of \$ per share and (b) an additional shares of Common Stock reserved for future issuance under the Company's 1993 Incentive and Non-Statutory Stock Option Plan, 1997 Stock Incentive Plan and 1997 Employee Stock Purchase Plan.



DILUTION

At September 30, 1997, after giving effect to (i) the Reorganization and (ii) payments of the S Corporation Dividend the Company had a pro forma net tangible book value of approximately \$ or \$ per share of Common Stock. "Net tangible book value" represents the amount of total assets less total liabilities divided by the number of shares of Common Stock outstanding. Without taking into account any other changes in the net tangible book value after September 30, 1997, other than to give effect to the sale of the shares of Common Stock offered by the Company hereby at an assumed initial public offering price of \$ per share (the mid-point of the range set forth on the cover page of this Prospectus) after deducting estimated underwriting discounts and offering expenses payable by the Company, the pro forma net tangible book value of the Company as of September 30, 1997 would have been approximately \$ or \$ per share. This represents an immediate increase in net tangible book value of \$ per share to the existing stockholders and an immediate dilution of \$ per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price.....	\$
Pro forma net tangible book value as of September 30, 1997.....	\$
Increase in net tangible book value attributable to new investors.....	
Pro forma net tangible book value after the Offering.....	-----
Dilution to new investors.....	\$ =====

The following table summarizes on a pro forma basis, as of September 30, 1997, the differences between existing stockholders and new investors in the Offering (at an assumed initial public offering price of \$ per share) with respect to the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders..		%	\$	%	\$
New investors.....		%		%	\$
Total.....		100%	\$	100%	
	=====	===	=====	=====	

As of September 30, 1997, options to purchase shares of Common Stock were outstanding with a weighted average exercise price of \$ per share and are not reflected in the above tables. See "Capitalization," "Management--Stock Option Plans" and Notes 7 and 12 of the Financial Statements.

SELECTED FINANCIAL AND OPERATING DATA

The following selected financial and operating data should be read in conjunction with the Company's Financial Statements and the Notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere herein. The selected data presented below under the captions "Statement of Operations Data" and "Balance Sheet Data" for each of the years in the five-year period ended December 31, 1996 and the nine months ended September 30, 1997 are derived from the audited financial statements of the Company. The financial statements as of December 31, 1995 and 1996 and September 30, 1997, and for each of the years in the three-year period ended December 31, 1996 and for the nine months ended September 30, 1997, and the independent auditors' report thereon, are included elsewhere in this Prospectus. The selected data presented below for the nine months ended September 30, 1996 are derived from the unaudited financial statements of the Company appearing elsewhere in the Prospectus. In the opinion of management, the unaudited financial statements for the nine months ended September 30, 1996 include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of the results for such period. The results of operations for the nine months ended September 30, 1997 are not necessarily indicative of the results to be expected for the year ended December 31, 1997.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1996	1997
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND SELECTED OPERATING DATA)							
<b>STATEMENT OF OPERATIONS DATA:</b>							
Net sales.....	\$ 147,627	\$ 163,390	\$ 196,659	\$ 252,217	\$ 333,322	\$ 225,074	\$ 383,460
Cost of sales.....	121,879	137,266	165,957	211,299	282,117	189,644	330,008
Gross profit.....	25,748	26,124	30,702	40,918	51,205	35,430	53,452
Selling, general and administrative expenses.....	24,506	29,602	32,653	38,373	43,739	31,005	40,965
Income (loss) from operations.....	1,242	(3,478)	(1,951)	2,545	7,466	4,425	12,487
Interest expense.....	(76)	(274)	(594)	(1,296)	(1,269)	(803)	(933)
Other, net.....	90	367	80	62	70	20	(43)
Income taxes(1).....	(32)	--	124	(38)	(252)	(134)	(429)
Additional stockholder/officer compensation(2).....	(1,100)	--	--	--	(1,259)	(1,407)	(8,630)
Net income (loss).....	\$ 124	\$ (3,385)	\$ (2,341)	\$ 1,273	\$ 4,756	\$ 2,101	\$ 2,452
<b>PRO FORMA DATA(3):</b>							
Net income .....					\$ 3,750		\$ 6,967
Net income per share.....					\$		\$
Weighted average number of common and common equivalent shares outstanding(4).....							
<b>SELECTED OPERATING DATA:</b>							
Active customers(5)....	246,000	258,000	295,000	353,000	424,000	401,000	492,000
Catalogs distributed...	6,000,000	10,000,000	16,900,000	16,800,000	18,600,000	11,200,000	24,000,000
Orders entered(6).....	661,000	695,000	803,000	854,000	910,000	628,000	891,000
Average order size.....	\$ 248	\$ 264	\$ 282	\$ 346	\$ 453	\$ 445	\$ 512
DECEMBER 31,							
SEPTEMBER 30,							
1997							
<b>BALANCE SHEET DATA:</b>							
Working capital.....	\$ 10,790	\$ 7,383	\$ 2,770	\$ 10,994	\$ 14,622		\$ 16,477
Total assets.....	33,404	38,313	52,911	48,615	75,238		95,549
Short-term debt.....	3,367	6,905	6,106	4,933	13,057		9,380
Long-term debt (less current maturities)...	--	--	--	5,000	4,250		3,500
Total stockholders' equity.....	17,088	13,702	11,687	13,057	18,043		21,280

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- (1) For all periods presented, the Company has been an S Corporation and accordingly has not been subject to federal income taxes.
  - (2) Represents amounts accrued or distributed in excess of aggregate annual base salaries approved by the Board of Directors and primarily represent Company-related federal income tax obligations payable by the stockholders.
  - (3) The pro forma adjustments give effect to (i) the elimination of additional stockholder/officer compensation expense of \$1,139 and \$8,540 for the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively, representing amounts in excess of aggregate annual base salaries of \$600 to be in effect as of the closing date of the Offering and (ii) the Reorganization, including the provision for income taxes at an assumed rate of 39% based upon pro forma income of the Company as if it had not elected to be treated as an S Corporation. Increases in taxes amounted to \$2,145 and \$4,025 for the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively.
  - (4) The pro forma weighted average number of common and common equivalent shares outstanding assumes that (i) all shares of stock issuable upon exercise of all stock options granted in 1997 were outstanding and (ii) a number of shares determined by dividing (x) the S Corporation Dividend (which if made at September 30, 1997 would have approximated \$26,000) by (y) the mid-point of the range set forth on the cover page of this Prospectus, were outstanding.
  - (5) All customers included in the Company's mailing list who have made a purchase within the last twelve-month period.
  - (6) Does not reflect cancellations or returns.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's financial statements and unaudited pro forma financial statements included elsewhere herein.

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. 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 magazines 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 and (ii) inbound calls from customers responding to the Company's catalogs and other advertising. The Company also advertises in selected computer industry publications and in 1996 commenced selling products through its Internet Web site.

The Company offers both PC compatible products and Mac compatible products. Reliance on Mac product sales has decreased over the last two years, from 26.7% of net sales in 1995 to 22.6% of net sales for the nine months ended September 30, 1997. Although sales of Mac products represent a smaller portion of net sales, the dollar volume of sales of these products increased in the nine months ended September 30, 1997, as compared to the comparable period in 1996.

All of the Company's product categories experienced strong growth in the year ended December 31, 1996 and the nine months ended September 30, 1997, with sales of computer systems representing the fastest growing category. Sales of computer systems result in a relatively high dollar sales order, as reflected in the increase in the Company's average order size from \$346 in the year ended December 31, 1995 to \$512 for the nine months ended September 30, 1997. Computer system sales generally provide the largest gross profit dollar contribution per order of all of the Company's products, although they generally yield the lowest gross margin percentage. Partially as a result of higher system sales, the Company's gross margin has declined over the last two years while the operating income margin has increased due to the leveraging of selling, general and administrative expenses over a larger sales base.

The Company's profit margins are also influenced by, among other things, industry pricing and the relative mix of inbound versus outbound sales. Generally, pricing in the computer and related products market is very aggressive and the Company intends to maintain prices at competitive levels. 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, although the gross profit dollar contribution per order is generally higher as average order sizes to corporate accounts are usually larger. The Company believes that outbound sales will continue to represent a larger portion of its business mix in future periods.

In connection with the Offering, the Company expects to report the following non-recurring, non-cash items in the quarter ending March 31, 1998: (i) a \$665,000 charge to income from operations resulting from the acceleration of the amortization of certain stock option compensation expense from seven years to four years and (ii) an estimated \$2.5 million credit to its income tax provision resulting from the S Corporation Termination.

In connection with the planned relocation of its headquarters facility in the summer of 1998, the Company will likely incur certain one-time moving and other costs, not expected to exceed \$500,000, which would be charged to operating results in the periods incurred.

## RESULTS OF OPERATIONS

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

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
Net sales (in millions).....	\$ 196.7	\$ 252.2	\$ 333.3	\$ 225.1	\$ 383.5
Net sales.....	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit.....	15.6	16.2	15.4	15.7	13.9
Selling, general and administrative expenses.....	16.6	15.2	13.1	13.8	10.7
Income (loss) from operations..	(1.0)	1.0	2.2	2.0	3.3
Interest expense.....	(0.3)	(0.5)	(0.4)	(0.4)	(0.2)
Income taxes.....	0.1	(0.0)	(0.1)	(0.1)	(0.1)
Additional stockholder/officer compensation.....	0.0	0.0	(0.4)	(0.6)	(2.2)
Net income (loss).....	(1.2)	0.5	1.4	0.9	0.6
Pro forma net income.....			1.1		1.8

### NINE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1996

Net sales increased \$158.4 million, or 70.4%, to \$383.5 million for the nine months ended September 30, 1997 from \$225.1 million for the nine months ended September 30, 1996. Growth in net sales, which included a 15.1% increase in average order size, was primarily attributable to: (i) improvements in merchandising and product mix, especially a greater emphasis on the stocking and sale of computer systems; (ii) continued expansion and increased productivity of the Company's outbound telemarketing group; (iii) an increase in the number of catalog mailings; and (iv) improved inbound sales conversion ratios. System/memory sales increased to 41.1% of net sales for the nine months ended September 30, 1997 from 33.1% for the comparable period in 1996. Outbound sales increased \$92.1 million, or 112.2%, to \$174.2 million for the nine months ended September 30, 1997 from \$82.1 million for the nine months ended September 30, 1996. The number of catalogs mailed increased by 114.3%, from 11.2 million catalogs for the nine months ended September 30, 1996 to 24.0 million catalogs for the comparable period in 1997.

Gross profit increased \$18.1 million, or 50.9%, to \$53.5 million for the nine months ended September 30, 1997 from \$35.4 million for the nine months ended September 30, 1996. The increase in gross profit dollars was primarily attributable to the increase in sales described above. Gross profit margin decreased from 15.7% for the nine months ended September 30, 1996 to 13.9% for the comparable period in 1997 due primarily to a higher rate of growth in sales of lower margin computer systems, increased price competition and decreases in average unit selling prices. However, the Company generated higher gross profit dollars per order, enabling it to leverage its operating expenses, as described below.

Selling, general and administrative expenses (excluding additional stockholder/officer compensation) increased \$10.0 million, or 32.1%, to \$41.0 million for the nine months ended September 30, 1997 from \$31.0 million for the nine months ended September 30, 1996, but decreased as a percentage of sales to 10.7% for the nine months ended September 30, 1997 from 13.8% for the nine months ended September 30, 1996. The increase in expenses was primarily attributable to increases in volume-sensitive costs such as sales personnel and credit card fees. The decrease as a percentage of net sales was primarily attributable to improved expense control and the leveraging of selling, general and administrative expenses over a larger sales base.

Prior to the closing of the Offering, selling, general and administrative expenses excluded additional stockholder/officer compensation paid to the Company's two stockholders who also serve as officers and directors, representing amounts accrued or distributed in excess of aggregate annual base salaries (\$360,000 base salaries for each of the nine-month periods) approved by the Board of Directors of the Company and primarily

represent Company-related federal income tax obligations payable by the stockholders. Effective upon the closing of the Offering, these stockholder/officers will be paid annual base salaries aggregating \$600,000. Selling, general and administrative expenses on a pro forma basis were \$41.1 million (or 10.7% of net sales) for the nine months ended September 30, 1997, and \$31.1 million for the nine months ended September 30, 1996 as adjusted to give effect to \$450,000 of aggregate base salaries payable to the Company's two stockholder/officers.

Income from operations increased by \$8.1 million, or 182.2%, to \$12.5 million for the nine months ended September 30, 1997 from \$4.4 million for the nine months ended September 30, 1996. Income from operations as a percentage of net sales increased from 2.0% to 3.3% for the reasons discussed above.

Additional stockholder/officer compensation represents amounts accrued or distributed to stockholders for Company-related federal income tax obligations payable by the stockholders. Additional stockholder/officer compensation increased \$7.2 million, or 513.4%, to \$8.6 million for the nine months ended September 30, 1997 from \$1.4 million for the nine months ended September 30, 1996. This increase is attributable to increases in net income.

Interest expense for the nine months ended September 30, 1997 increased by \$130,000, or 16.2%, to \$933,000 from \$803,000 for the nine months ended September 30, 1996, primarily due to higher average outstanding borrowings under the Company's line of credit.

Net income increased \$351,000, or 16.7%, to \$2.5 million for the nine months ended September 30, 1997 from \$2.1 million for the comparable period in 1996 principally as a result of the increase in income from operations.

Pro forma net income is determined by (i) eliminating stockholder/officer compensation in excess of the aggregate base salaries described above under "selling, general and administrative expenses" and (ii) adding a provision for federal income taxes that would be payable by the Company if taxed under Subchapter C of the Code. Net income on a pro forma basis as described above would have been \$7.0 million for the nine months ended September 30, 1997. The difference in pro forma net income compared to historical net income represents the elimination of \$8.5 million in additional stockholder/officer compensation offset by a \$4.0 million higher provision for federal income taxes.

#### YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

Net sales increased \$81.1 million, or 32.2%, to \$333.3 million in 1996 from \$252.2 million in 1995. Growth in net sales, which included a 30.9% increase in average order size, was primarily attributable to improvements in merchandising and product mix and a significant expansion of the Company's outbound telemarketing group from 40 to 100 account managers, together with an increase in outbound sales per account manager for those account managers with more than 12 months of service. Outbound sales increased \$72.2 million, or 132.6%, to \$126.7 million in 1996 from \$54.5 million in 1995.

Gross profit increased \$10.3 million, or 25.1%, to \$51.2 million in 1996 from \$40.9 million in 1995. Gross profit margin decreased from 16.2% in 1995 to 15.4% in 1996 due to more competitive pricing of the Company's products and significant growth in sales of computer systems, which carry lower gross margins. These decreases were partially offset by the Company's ability, as a result of its increased volume and financial position, to take advantage of vendor discounts, rebates and bulk purchasing opportunities.

Selling, general and administrative expenses (excluding additional stockholder/officer compensation) increased \$5.4 million, or 14.0%, to \$43.7 million in 1996 from \$38.4 million in 1995, but decreased as a percentage of sales to 13.1% in 1996 from 15.2% in 1995. The increase in expense was attributable to an increase in volume-sensitive costs such as sales personnel and credit card fees. The decrease as a percentage of net sales was primarily attributable to management attention to expense control and the leveraging of selling, general and administrative expenses over a larger sales base.

Selling, general and administrative expenses on a pro forma basis were \$43.9 million (or 13.2% of net sales) in 1996 as adjusted to give effect to \$600,000 of aggregate annual base salaries payable to the Company's two stockholder/officers.

Income from operations increased by \$5.0 million, or 193.4%, to \$7.5 million in 1996 from \$2.5 million in 1995. Income from operations as a percentage of net sales increased from 1.0% to 2.2% for the reasons discussed above.

Additional stockholder/officer compensation increased \$1.3 million in 1996 from \$0 in 1995. This increase is primarily attributable to distributions to stockholders representing Company-related federal income tax obligations payable by stockholders.

Interest expense remained unchanged at \$1.3 million in 1996 and 1995. Lower interest rates and average short-term borrowings in 1996 were offset by the increased interest expense associated with the \$5.0 million term loan obtained in late 1995.

Net income increased \$3.5 million, or 273.6%, to \$4.8 million in 1996 from \$1.3 million in 1995, principally as a result of the increase in income from operations.

Pro forma net income as described above would have been \$3.8 million. The difference in pro forma net income compared to historical net income represents the elimination of \$1.1 million in additional stockholder/officer compensation offset by a \$2.1 million higher provision for federal income taxes.

#### YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

Net sales increased \$55.5 million, or 28.3%, to \$252.2 million in 1995 from \$196.7 million in 1994. Growth in net sales, which included a 22.7% increase in average order size, was primarily attributable to expanded marketing efforts and product lines, particularly in computer systems, and the development and growth of the Company's outbound telemarketing group. Outbound sales increased \$40.8 million, or 298.9%, to \$54.4 million in 1995 from \$13.6 million in 1994.

Gross profit increased \$10.2 million, or 33.3%, to \$40.9 million in 1995 from \$30.7 million in 1994. Gross margin increased from 15.6% in 1994 to 16.2% in 1995 primarily as a result of a change in the Company's freight policy which passed a larger percentage of the out-of-pocket freight charges to customers.

Selling, general and administrative expenses increased \$5.7 million, or 17.5%, to \$38.4 million in 1995 from \$32.7 million in 1994, but decreased as a percent of sales to 15.2% in 1995 from 16.6% in 1994. The increase in expenses was attributable primarily to increased volume-sensitive personnel and other costs consistent with the growth in the outbound sales group. Selling, general and administrative expenses in 1995 also included approximately \$800,000 in non-recurring charges, including \$473,000 of costs related to an uncompleted equity financing and \$275,000 of costs associated with the termination of certain employees. The decline as a percentage of sales was attributable to increased economies of scale through a significant reduction in the number of inbound sales representatives coupled with an improvement in productivity, the leveraging of costs over a higher sales base and the reduction of more expensive advertising in computer publications.

Income (loss) from operations increased by \$4.5 million to income of \$2.5 million in 1995 from a loss of \$2.0 million in 1994. Income (loss) from operations as a percentage of net sales increased from a loss of 1.0% to income of 1.0% for the reasons discussed above.

Interest expense in 1995 increased \$702,000, or 118.2%, to \$1.3 million from \$594,000 in 1994, primarily as a result of increased borrowings under the Company's line of credit.

Net income (loss) increased \$3.6 million, to net income of \$1.3 million in 1995 from a net loss of \$2.3 million in 1994 principally as a result of the increase in income from operations described above.

#### SELECTED QUARTERLY FINANCIAL RESULTS

The following table sets forth certain unaudited quarterly data of the Company for each of the quarters since January 1, 1995. This information has been prepared on the same basis as the audited Financial Statements and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the selected quarterly information when read in conjunction with the audited Financial Statements and the Notes thereto included elsewhere in this Prospectus. The quarterly operating results are not necessarily indicative of future results of operations. See "Risk Factors--Historical Net Losses; Variability of Quarterly Results."

	QUARTERS ENDED			
	MARCH 31, 1995	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995
	(IN THOUSANDS)			
Net sales.....	\$ 62,856	\$ 60,434	\$ 59,802	\$ 69,125
Gross profit.....	10,247	9,736	9,737	11,198
Income (loss) from operations(1).....	(112)	130	281	2,246

	QUARTERS ENDED			
	MARCH 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996
	(IN THOUSANDS)			
Net sales.....	\$ 70,108	\$ 72,014	\$ 82,952	\$108,248
Gross profit.....	10,995	11,381	13,054	15,775
Income from operations(1).....	1,108	1,341	1,976	3,041

	QUARTERS ENDED		
	MARCH 31, 1997	JUNE 30, 1997	SEPT. 30, 1997
	(IN THOUSANDS)		
Net sales.....	\$122,823	\$121,500	\$139,137
Gross profit.....	17,379	16,777	19,296
Income from operations(1) .....	3,742	3,986	4,759

(1) Income from operations excludes stockholder/officer compensation in excess of aggregate base salaries of \$120,000 in each quarter (\$80,000 in the quarter ended December 31, 1995).

#### 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 the net proceeds from the Offering and available credit under its bank line of credit, will be sufficient to finance its working capital and capital expenditure requirements at least through 1998. 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, 1997, the Company had cash of \$723,000 and working capital of \$16.5 million. At December 31, 1996, the Company had working capital of \$14.6 million.

Net cash provided by operating activities was \$8.4 million for the nine months ended September 30, 1997. The Company's net cash used in operating activities was \$4.5 million for the year ended December 31, 1996 as compared to \$2.8 million used in operating activities for the year ended December 31,



1995. Net cash provided by operating activities was \$5.8 million for 1994. 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. Historically, inventories and accounts payable have increased as a result of the sales growth of the Company. Accounts receivable have increased primarily due to an increase in open account purchases by commercial customers resulting from the Company's continued efforts to increase its sales to such customers.

Capital expenditures were \$3.4 million in the nine months ended September 30, 1997 and in the year ended December 31, 1996. The Company expects capital expenditures, primarily for the purchase of computer hardware and software and other fixed assets, to be approximately \$1.6 million and \$4.0 million, for the quarter ending December 31, 1997 and the year ending December 31, 1998, respectively.

As of September 30, 1997, the Company had a credit agreement with a bank providing for short-term borrowings equal to the lesser of \$30 million or an amount determined by a formula based on accounts receivable and inventory balances, and a term loan for \$5 million, due in quarterly installments of \$250,000 through March 31, 2002. Short-term borrowings which totalled \$8.1 million at September 30, 1997, are collateralized by the Company's accounts receivable and inventories (other than inventories pledged to secure trade credit arrangements) and bear interest at the bank's prime rate plus 0.5% (8.5% at September 30, 1997) or LIBOR plus 2.5% at the Company's option. The term loan is collateralized by all other assets of the Company and bears interest at the prime rate plus 1.0% (9.0% at September 30, 1997). The credit agreement includes various customary financial and operating covenants, including restrictions on the payment of dividends, except for dividends to stockholders in respect of income taxes, none of which the Company believes significantly restricts the Company's operations. At September 30, 1997, the Company had \$53.7 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 short-term borrowings under the line of credit.

As of November 19, 1997, the Company and its banks amended the agreement to increase the maximum level of borrowings from \$30.0 million to \$45.0 million and to reduce the interest rate on borrowings under both loans to the prime rate or LIBOR plus 2.0% at the Company's option.

#### 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.

#### YEAR 2000 COMPLIANT INFORMATION SYSTEMS

The Company uses software and related technologies throughout its business that will be affected by the Year 2000 problem, which is common to most corporations, and concerns the inability of information systems, primarily computer software programs, to properly recognize and process date sensitive information as the year 2000 approaches. The Company's order management and fulfillment software system is not currently Year 2000 compliant. However, the Company plans to replace this system in 1998 with new software that is better suited to the Company's expected scale of operations and is designed to be Year 2000 compliant. See "Business--Management Information Systems." The Company currently believes it will be able to modify or replace any other affected systems in time to minimize any detrimental effects on operations. While it is not possible, at present, to give an accurate estimate of the cost of this work, the Company expects that such costs will not be material to the Company's results of operations. System maintenance or software modification costs will be expensed as incurred, while the costs of new software (such as the new order management and fulfillment software) will be capitalized and amortized over the software's expected useful life.

#### RECENT PRONOUNCEMENTS OF THE FINANCIAL ACCOUNTING STANDARDS BOARD

Recent pronouncements of the Financial Accounting Standards Board ("FASB") which are not required to be adopted at September 30, 1997, include the following Statements of Financial Accounting Standards ("SFAS"):

SFAS No. 128, "Earnings Per Share," which will be required to be adopted by the Company for the fiscal year ending December 31, 1997, specifies the computation, presentation, and disclosure requirements for earnings per share for entities with publicly-held common stock. This new accounting standard will require presentation of basic earnings per share and diluted earnings per share. The effect of adopting this standard would be to report unaudited pro forma basic net income per share of \$0.38 and \$0.71, and unaudited pro forma diluted net income per share of \$0.36 and \$0.68, for the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively.

SFAS No. 129, "Disclosure of Information about Capital Structure," which will be effective for the Company for the year ending December 31, 1997, consolidates existing disclosure requirements. This new standard contains no change in disclosure requirements for the Company.

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for reporting and display of comprehensive income (all changes in equity during a period except those resulting from investments by and distributions to owners) and its components in the financial statements. This new standard, which will be effective for the Company for the year ending December 31, 1998, is not currently anticipated to have a significant impact on the Company's financial statements based on the current financial structure and operations of the Company.

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," which will be effective for the Company for the year ending December 31, 1998, establishes standards for reporting information about operating segments in the annual financial statements, selected information about operating segments in interim financial reports and disclosures about products and services, geographic areas and major customers. This new standard may require the Company to report financial information on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments, which may result in more detailed information in the notes to the Company's financial statements than is currently required and provided.

## BUSINESS

### GENERAL

PC Connection is a leading direct marketer of brand-name personal computers and related peripherals, software, accessories and networking products. The Company's primary target customers are SMORGS comprised of 20 to 1,000 employees. PC Connection sells its products through a combination of targeted direct mail catalogs, outbound telemarketing, its Internet Web site and advertisements on the Internet and in selected computer magazines. The Company offers a broad selection of approximately 15,000 products targeted for business use at competitive prices, including products from Compaq, Hewlett-Packard Company, Toshiba Corporation, IBM, Microsoft Corporation ("Microsoft"), Sony Corporation, Hitachi Ltd. and Apple. The Company's most frequently ordered products are carried in inventory and are typically shipped to customers the same day that the order is received.

The Company has experienced rapid growth in sales, profitability, number of orders and average order size as a result of: (i) a substantial increase in the number and assortment of products carried by the Company; (ii) increases in outbound telemarketing personnel and improvements in productivity; (iii) increases in catalog circulation; and (iv) improvements in inbound telemarketing productivity. The Company recorded net sales of \$333.3 million and income from operations of \$7.5 million in the year ended December 31, 1996, representing increases of 32.2% and 193.4%, respectively, over the year ended December 31, 1995. In the nine months ended September 30, 1997, the Company recorded net sales of \$383.5 million and income from operations of \$12.5 million, representing increases of 70.4% and 182.2%, respectively, over the comparable period in 1996. Net sales of PCs and compatible products were approximately 77% of net sales for the nine months ended September 30, 1997.

Since its founding in 1982, the Company has focused on serving customer needs by providing innovative, reliable and timely customer service and technical support, and offering an extensive assortment of branded products, through knowledgeable and well-trained sales and support teams. The effectiveness of this strategy is reflected in the recognition accorded the Company, including the Company's receipt of the PC World "World Class Award for Best Mail-Order Company" in 1997, as voted by its readers, for the seventh time in the past eight years, and receipt of the highest ranking of only two direct resellers included in the first-ever ranking of the "100 Most Influential Companies in the Computer Industry" by PC Magazine in July 1997.

The Company believes that its consistent customer focus has resulted in the development of strong brand name recognition and a broad and loyal customer base. At September 30, 1997, the Company's mailing list consisted of approximately 2,000,000 customers and potential customers, of which approximately 500,000 had purchased products from the Company within the last twelve months. Approximately 65% of the Company's orders in each of the nine months ended September 30, 1997 and the year ended December 31, 1996 were placed by customers who had previously purchased products from the Company. The Company believes it has also developed strong relationships with vendors, resulting in favorable product allocations and marketing assistance.

Commencing in late 1995, the Company significantly increased its business-to-business marketing efforts targeting SMORGS, a rapidly growing sector of the personal computer market that the Company believes is particularly receptive to purchases from direct marketers. To serve this growing part of its business more effectively, the Company has increased the number of its outbound telemarketing account managers from 48 at December 31, 1995 to 156 at September 30, 1997, including 86 new account managers with less than 12 months of outbound telemarketing experience with the Company. Historically, outbound account managers become significantly more productive in their second year with the Company. In addition, in late 1995 the Company initiated programs to increase training of inbound telemarketing personnel and to provide incentive compensation based upon sales productivity.

The Company's two major catalogs are PC Connection(R), focused on PCs and compatible products, and MacConnection(R), focused on Macs and compatible products. With colorful illustrations, concise product descriptions, relevant technical information, along with customer service benefits and toll-free telephone numbers for ordering, the Company's catalogs are recognized as a leading source for personal computer hardware,

software and other related products. The Company distributed approximately 24 million catalogs during the nine months ended September 30, 1997.

The Company also markets its products and services through its Internet Web site, [www.pcconnection.com](http://www.pcconnection.com), which provides customers and prospective customers with Company and product information and enables customers to place electronic orders for all of the Company's products. The Company believes that as the Internet becomes a more important commercial medium, it will be well positioned to capitalize on growth through this emerging channel.

#### INDUSTRY BACKGROUND

According to industry data published by Merrin in May 1997, United States sales of personal computers and related products were \$77.8 billion in 1996 and are expected to be \$138.2 billion in 2000, representing a compound annual growth rate of 15.4%. The Company believes that the direct marketing channel will be among the fastest growing distribution channels for the domestic personal computer and related products industry. As a leading participant in the direct marketing channel, the Company believes it is well positioned to capitalize on the expected growth in the industry.

The Company believes that the sales of personal computers and related products have increased principally as a result of (i) technological advances leading to significant improvements in performance, functionality and ease of use; (ii) lower prices and improved price/performance made possible by technological advances and driven by intense competition among manufacturers, retailers and resellers; (iii) increased dependence upon PCs by businesses, educational institutions and governments; and (iv) the emergence of industry standards and component commonality. The Company believes that the higher projected growth for the direct marketing channel is primarily based on (i) increased user familiarity with PCs, coupled with the emergence of industry standards and component commonality, and the resultant increase in customer comfort with purchasing products without the need to "touch and feel" them, and (ii) broader product offerings, lower prices and greater purchasing convenience that direct marketers generally provide over traditional retail stores and local dealers.

Users of personal computers range from large corporate entities focused on business applications to individual consumers focused primarily on personal productivity, education and entertainment applications. Historically, large corporate resellers have served the needs of FORTUNE 1000 companies and retailers have competed to serve the consumer market. SMORGS, the Company's core target customers, are being served by a wide range of suppliers, including direct marketers, large retailers, and small, independent value added resellers ("VARs") and local dealerships. The Company believes that the direct field sales model used by large resellers is not an efficient method of reaching SMORGS, and that VARs, local dealerships and retailers are unable to match the high level of customer service, extensive array of products, low prices and efficiencies afforded to SMORGS by direct marketers. Intense competition for market share has led manufacturers of PCs and related products to use all available channels to distribute products, including direct marketers. Although certain manufacturers that have traditionally used resellers to distribute their products have established or attempted to establish their own direct marketing operations, to the Company's knowledge only one has replaced its traditional indirect selling channels as the principal means of distribution. Accordingly, the Company believes these manufacturers will continue to provide favorable product allocations and marketing support to third-party direct marketers.

The Company believes new entrants to the direct marketing channel must overcome a number of significant barriers to entry, including the time and resources required to build a customer base of meaningful size, quality and responsiveness for cost-effective circulation; costs of developing the information and operating infrastructure required by direct marketers; the advantages enjoyed by larger and more established competitors in terms of purchasing and operating efficiencies; the difficulty of building relationships with manufacturers to achieve favorable product allocations, attractive pricing terms and cooperative advertising funds; and the difficulty of identifying and recruiting management personnel with significant direct marketing experience in the industry.

## BUSINESS STRATEGIES

The Company's objective is to become the leading supplier of personal computers and related products and services to its customers. The key elements of the Company's business strategies include:

- . AWARD-WINNING CUSTOMER SERVICE BEFORE, DURING AND AFTER THE SALE. The Company believes that it has earned a reputation for providing superior customer service by consistently focusing on customer needs and service innovation. The Company has won PC World's "World Class Award for Best Mail Order Company" in seven out of the last eight years. The Company delivers value to its customers through high quality service and technical support provided by knowledgeable, well-trained personnel; efficient and innovative delivery programs; in-house service capabilities; competitive prices; and reasonable return policies.
- . STRONG BRAND NAME AND CUSTOMER FRANCHISE. Since its founding in 1982, the Company has built a strong brand name and customer franchise. In July 1997, the Company was one of only two direct resellers included in the "100 Most Influential Companies in the Computer Industry" by PC Magazine. Its mailing list includes approximately 2,000,000 names, of which approximately 500,000 have purchased products from the Company during the last 12 months.
- . BROAD PRODUCT SELECTION AT COMPETITIVE PRICES. The Company offers its customers a wide assortment of personal computers and related products at competitive price points. The Company's merchandising programs feature products that provide customers with aggressive price/performance and the convenience of one-stop shopping for their personal computer and related needs.
- . LONG-STANDING VENDOR RELATIONSHIPS. The Company has a history of strong relationships with vendors, being among the first direct marketers qualified by manufacturers to market systems to end users. The Company provides its vendors with information concerning customer preferences and an efficient channel for the advertising and distribution of their products.

## GROWTH STRATEGIES

The Company's growth strategies are to increase penetration of its existing customer base, broaden its product offerings and expand its customer base. The key elements of its strategies include:

- . INCREASE OUTBOUND TELEMARKETING. The Company plans to increase significantly the number of its corporate outbound account managers and assign them to a higher percentage of the Company's customers. Outbound account managers focus exclusively on serving specifically assigned customers and seek to develop a close relationship with those customers by identifying and responding to their needs for personal computers and related products.
- . EXPAND PRODUCT OFFERINGS. The Company continually evaluates personal computers and related products focused on business users, adding new products as they become available or in response to customer demand. The Company is also expanding the breadth of offered products to include items such as network servers, telecopiers and telephone equipment. It works closely with vendors to identify and source first-to-market product offerings at aggressive price points, and believes that expansion of its corporate outbound marketing program will enhance its access to such product offerings.
- . TARGET CUSTOMER SEGMENTS. Through targeted mailings, the Company seeks to expand the number of its active customers and generate additional sales from its existing customers on a cost-effective basis. The Company has developed specialty catalogs, as well as standard catalogs with special cover pages, featuring product offerings designed to address the needs of specific customer segments. The Company plans to further focus its product mix and catalogs to better service the needs of its existing and prospective business customers, including new product inserts targeted to purchasers of graphics, server and networking products.

- . DEVELOP ELECTRONIC COMMERCE CHANNEL. The Company's Internet Web-based catalog provides detailed product descriptions, product search capabilities and on-line order processing. The Company believes that an increasing number of customers and potential new customers will elect to shop electronically in the future and therefore it plans additional investments to further improve the on-line sales capabilities, customer service and product information and support available on its Internet Web site.

#### SERVICE AND SUPPORT

Since its founding in 1982, the Company's primary objective has been to provide products that meet the demands and needs of customers and to supplement those products with up-to-date product information and excellent customer service and support. The Company believes that offering its customers superior value, through a combination of product knowledge, consistent and reliable service and leading products at competitive prices, differentiates it from other direct marketers and has become the foundation for developing a broad and loyal customer base. The Company has introduced programs such as Toll-Free Technical Support in 1982, the Everything Overnight(R) delivery program in 1988, Money Back Guarantees in 1989, One-Minute Mail Order(R) in 1991 and its On-line Superstore in 1997.

The Company invests heavily in training programs for its service and support personnel, with an emphasis on putting customer needs and service first. Customer service representatives are available 24 hours a day, seven days a week to handle orders, product information and general inquiries (including the most frequently asked technical support questions).

The effectiveness of the Company's strategy is reflected in the recognition accorded the Company, including the Company's receipt of PC World's "World Class Award for Best Mail Order Company" in 1997, as voted by its readers, for seven of the last eight years and receipt of the highest ranking of only two direct resellers included in the first-ever ranking of the "100 Most Influential Companies in the Computer Industry" by PC Magazine in July 1997.

Technical Support. The Company provides toll-free technical support from 9 a.m. through 5 p.m. Monday through Friday. Product support technicians assist callers with questions concerning compatibility, installation, determination of defects and more difficult questions of product use. The product support technicians authorize customers to return defective or incompatible products to either the manufacturer or to the Company for warranty service. In house technicians are authorized for both warranty and non-warranty repair on most major systems and hardware products.

Innovative Delivery Programs. Using the Company's customized information system, the Company, upon receipt of customer orders, sends them to its distribution center for processing immediately after they are credit approved. Through its Everything Overnight(R) service, the Company guarantees that all orders accepted up until 2:45 a.m. (until midnight on most custom-configured systems) will be shipped for overnight delivery via Airborne Express.

#### MARKETING AND SALES

The Company sells its products through the direct marketing channel, primarily to SMORGS. The Company's marketing objectives are to be the primary supplier of personal computers and related products to its existing customers and to expand its customer base. The Company employs multiple marketing approaches to reach existing and prospective customers, including outbound telemarketing, catalogs and inbound telesales, Web and print media advertising, and specialty marketing programs. All of its marketing approaches emphasize the Company's broad product offerings, fast delivery, customer support, competitive pricing and multiple payment options.

The Company believes that its ability to establish and maintain long-term customer relationships and to encourage repeat purchases is largely dependent on the strength of its telemarketing personnel and programs. Because its customers' primary contact with the Company is through its telemarketers, the Company is committed to maintaining a qualified, knowledgeable and motivated sales staff with its principal focus on customer service.

**Outbound Telemarketing.** The Company seeks to build loyal relationships with its potential high-volume customers by assigning them to individual account managers. The Company believes that customers respond favorably to a one-on-one relationship with personalized, well-trained account managers. Once established, these one-on-one relationships are maintained and enhanced through frequent telecommunications and targeted catalogs and other marketing materials designed to meet each customer's specific computing needs.

Account managers focus exclusively on their managed accounts and on outbound sales calls to prospective customers. The Company generally recruits account managers from its inbound telemarketing staff and from other sales organizations. All account managers must successfully complete a one-month training program, which includes instruction in the Company's product offerings and order management systems, as well as selling skills and account management. Thereafter, new account managers are assigned to sales teams where they receive intensive coaching and supervision by experienced supervisors, and periodic refresher training from the sales training staff. Additional training and product education programs are provided continuously through vendor supported programs. The Company pays its account managers a base annual salary plus incentive compensation which is tied to sales volume and gross profit dollars produced. The Company imposes specific increases in sales targets for incentive pay. Account managers historically have significantly increased productivity after approximately 12 months of training and experience. At September 30, 1997, the Company employed 156 account managers, including 86 with less than 12 months of outbound telemarketing experience with the Company.

**Catalogs and Inbound Telesales.** The Company's two principal catalogs are PC Connection(R) for the PC market and MacConnection(R) for the Mac market. The Company publishes twelve editions of each of these catalogs annually. The Company distributes catalogs to purchasers on its in-house mailing list as well as to other prospective customers. It sends its two principal catalogs to its best customers twice each month. The initial mailing each month, labeled an "early edition," is sent simultaneously to the best customers throughout the United States and features special offers, such as first-to-market product offerings, highlighted on the cover. The Company also includes a catalog with each order shipped.

In addition, the Company mails specialty catalogs or customized versions of its catalogs to selected customers. The Company distributes specialty catalogs to educational customers and prospects on a periodic basis. The Company also distributes its monthly catalogs customized with special covers and inserts, offering a wider assortment of special offers on products in specific areas (such as graphics, server/netcom and mobile computing) or for specific customers (such as developers). These customized catalogs are distributed to targeted customers included in the Company's customer database using past identification or purchase history, as well as to outside mailing lists.

Each catalog is printed with full-color photographs, detailed product descriptions and manufacturer specifications. The catalogs are primarily created by in-house designers and production artists on a computer-based desktop publishing system. The in-house preparation of most portions of the catalog expedites the production process, providing for greater flexibility and creativity in catalog production, allowing for last-minute changes in pricing and format, and resulting in significant cost savings. After completion of the design and preparation, the catalogs are outsourced for printing by commercial printers.

The Company employs inbound sales representatives to answer customer telephone calls generated by the Company's catalog, magazine and other advertising programs and to assist customers in purchasing decisions, process product orders and respond to customer inquiries on order status, product pricing and availability. In late 1995, the Company initiated programs to increase training of inbound telemarketing personnel and to provide incentive compensation based upon sales productivity. The Company employs a flexible staffing model which



allows it to maintain excellent customer service during periods of peak demand while maintaining an efficient cost structure. The Company regularly monitors calls for quality assurance purposes. It has been a pioneer in using caller identification for the instant retrieval of customer records. Employing proprietary information systems, sales representatives can quickly access customer records which detail purchase history and billing and shipping information, expediting the ordering process. In addition to receiving orders through the Company's toll-free numbers, orders are also received via fax, mail, and electronic mail.

**Advertising.** The Company advertises in selected personal computer and trade magazines, such as PC Magazine, PC World and Macworld. These advertisements provide product descriptions, manufacturers' specifications and pricing information, and emphasize the Company's service and support features. Additionally, the PC Connection(R) logo and telephone number are included in promotions by selected manufacturers. The Company also advertises its Internet Web site through independent content providers on commercial on-line services such as Yahoo.

**www.pconnection.com.** In November 1996, the Company launched an Internet Web site, including a complete product catalog. In July 1997, the Company began accepting electronic orders through its Internet Web site. Product descriptions and prices of all products are provided on-line, with full, updated information for over 6,200 items and on screen images available for over 1,100 items. The Company offers, and continuously updates, selected product offerings and other special buys. The Company believes that in the future its Internet Web site will be an important sales source and communication tool for improving customer service.

**Specialty Marketing.** The Company's specialty marketing activities include direct mail, other inbound and outbound telemarketing services, bulletin board services, "fax on demand" services, package inserts, fax broadcasts and electronic mail. The Company also markets call-answering and fulfillment services to certain of its product vendors such as Iomega Corporation.

**Customers.** The Company currently maintains an extensive database of customers and prospects aggregating approximately 2,000,000 names. During the twelve months ended September 30, 1997, the Company received orders from approximately 500,000 customers. Approximately 65% of the Company's orders in the nine months ended September 30, 1997 and in the year ended December 31, 1996 were placed by customers who had previously purchased products from the Company.

#### PRODUCTS AND MERCHANDISING

The Company continuously focuses on expanding the breadth of its product offerings. The Company currently offers approximately 15,000 personal computer products designed for business applications from over 1,000 manufacturers, including hardware and peripherals, accessories, networking products and software. The Company offers both PCs and Macs and related products. In the nine months ended September 30, 1997, sales of PCs and related products were approximately 77% of the Company's net sales. The Company selects the products that it sells based upon their technology and effectiveness, market demand, product features, quality, price, margins and warranties. As part of its merchandising strategy, the Company also offers new types of products related to PCs, such as digital cameras.

Computer systems/memory are the fastest growing product category, representing 41.1% of net sales in the nine months ended September 30, 1997, up from 25.4% and 34.8% of net sales in the years ended December 31, 1995 and 1996, respectively. The growth in system sales has been driven primarily by increased outbound sales efforts to business customers and the aggressive sourcing and merchandising of new computer systems lines and products.

The following table sets forth the Company's percentage of net sales (in dollars) of computer systems/memory, peripherals, software, and networking and communications products during the years ended December 31, 1995 and 1996 and nine months ended September 30, 1997.

PRODUCT CATEGORIES	PERCENTAGE OF NET SALES		
	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1997
Computer Systems/Memory.....	25.4%	34.8%	41.1%
Peripherals.....	39.4%	38.0%	34.8%
Software.....	23.4%	17.6%	16.6%
Networking and Communications.....	11.8%	9.6%	7.5%

The Company offers a limited 30-day money back guarantee for most unopened products and selected opened products, although selected products are subject to restocking fees. Substantially all of the products marketed by the Company are warranted by the manufacturer. The Company generally accepts returns directly from the customer and then either credits the customer's account or ships the customer a similar product from the Company's inventory.

#### PURCHASING AND VENDOR RELATIONS

For the nine months ended September 30, 1997, the Company purchased approximately 50% of its products directly from manufacturers and the balance from distributors and aggregators, all of which shipped products directly to the Company's distribution facility in Wilmington, Ohio. During the year ended December 31, 1996 and the nine months ended September 30, 1997, product purchases from Ingram Micro, the Company's largest vendor, accounted for approximately 28.4% and 29.5%, respectively, of the Company's total product purchases. No other vendor accounted for more than 10% of the Company's total product purchases. The Company believes that alternative sources for products obtained from Ingram Micro are available.

Many product suppliers reimburse the Company for advertisements or other cooperative marketing programs in the Company's catalogs or Company advertisements in personal computer magazines that feature a manufacturer's product. Reimbursements may be in the form of discounts, advertising allowances and/or rebates. The Company also receives reimbursements from certain vendors based upon the volume of purchases or sales of the vendors' products by the Company. Historically, the Company received price protection from its vendors on a majority of the products it sold. Protection takes the form of rebates or credits against future purchases. The Company may participate in the future in end-of-life-cycle and other special purchases which may not be eligible for price protection.

The Company believes that it has excellent relationships with vendors, pays vendors within stated terms and takes advantage of all appropriate discounts. The Company believes that because of its volume purchases it is able to obtain product pricing and terms that are competitive with those available to other major direct marketers. Although brand names and individual product offerings are important to the Company's business, the Company believes that competitive sources of supply are available in substantially all of the merchandise categories carried by the Company.

#### DISTRIBUTION

At its approximately 102,000 square foot distribution and fulfillment center in Wilmington, Ohio, the Company receives and ships inventory, configures computer systems and processes returned products. The Company also maintains a related 25,700 square foot warehouse for inventory in nearby Xenia, Ohio. Orders are transmitted electronically from the Company's New Hampshire sales facilities to its Wilmington distribution center after credit approval, where packing documentation is printed automatically and order fulfillment takes place. The Company guarantees that all orders accepted up until 2:45 a.m. (until midnight on custom-configured systems) will be shipped for overnight delivery via Airborne Express. It ships approximately 90% of its orders through Airborne Express. Upon request, orders may also be shipped by other common carriers.

The Company configures approximately half of the computer systems it sells. Configuration typically consists of the installation of memory, accessories and/or software.

While the Company believes that its existing distribution facilities in Wilmington and Xenia, Ohio will be sufficient to support the Company's anticipated needs through the next 12 months, it is evaluating additional and/or alternative facilities for distribution and inventory to support future growth.

#### MANAGEMENT INFORMATION SYSTEMS

The Company uses management information systems, principally comprised of applications software running on IBM AS/400 and RS6000 computers and Microsoft NT-based servers, which the Company has customized for its use. These systems permit centralized management of key functions, including order taking and processing, inventory and accounts receivable management, purchasing, sales and distribution, and the preparation of daily operating control reports on key aspects of the business. The Company also operates advanced telecommunications equipment to support its sales and customer service operations. Key elements of the telecommunications systems are integrated with the Company's computer systems to provide timely customer information to sales and service representatives, and to facilitate the preparation of operating and performance data. The Company believes that its customized information systems enable the Company to improve its productivity, ship customer orders on a same-day basis, respond quickly to changes in its industry and provide high levels of customer service.

The Company's success is dependent in large part on the accuracy and proper use of its information systems, including its telephone systems, to manage its inventory and accounts receivable collections, to purchase, sell and ship its products efficiently and on a timely basis, and to maintain cost-efficient operations. The Company expects to continually upgrade its information systems to more effectively manage its operations and customer database, including to be Year 2000 compliant. In that regard, it is in the process of converting to new software for its order management and fulfillment systems designed to be Year 2000 compliant, which is expected to be completed by the first half of 1998.

#### COMPETITION

The direct marketing and sale of personal computers and related products is highly competitive. PC Connection competes with other direct marketers of personal computers and related products, including CDW Computer Centers, Inc., Insight Enterprises, Inc. and Micro Warehouse, Inc. The Company also competes with certain product manufacturers that sell directly to customers, such as Dell Computer Corporation and Gateway 2000, Inc., and more recently Compaq, IBM and Apple; distributors that sell directly to certain customers, such as MicroAge, Inc. and Vanstar Corporation; various cost-plus aggregators, franchisers, and national computer retailers, such as CompUSA, Inc. and Computer City; and companies with an Internet Web site and commercial on-line networks. Additional competition may arise if other new methods of distribution, such as broadband electronic software distribution, emerge in the future.

The Company competes not only for customers, but also for favorable product allocations and cooperative advertising support from product manufacturers. Several of the Company's competitors are larger and have substantially greater financial resources than the Company.

The Company believes that price, product selection and availability, and service and support are the most important competitive factors in its industry.

#### INTELLECTUAL PROPERTY RIGHTS

The Company conducts its business under the marks PC Connection(R) and MacConnection(R) and their related logos. Other Company trademarks and service marks include Everything Overnight(R), One-Minute Mail Order(R), PC & Mac Connection(R), Systems Connection(R), The Connection(R), Raccoon Character(R), Service Connection(TM), Graphics Connection(TM), and Memory Connection(TM). The Company intends to use and protect these

and its other marks, as it deems necessary. The Company believes its trademarks and service marks have significant value and are an important factor in the marketing of its products. The Company does not maintain a traditional research and development group, but works closely with computer product manufacturers and other technology developers to stay abreast of the latest developments in computer technology, both with respect to the products it sells and the products it uses to conduct its business.

EMPLOYEES

As of September 30, 1997, the Company employed 824 persons, of whom 378 were engaged in sales related activities, 75 were engaged in providing customer service and support, 188 were engaged in purchasing and distribution related activities, 52 were engaged in the operation and development of management information systems, and 131 were engaged in administrative and accounting functions. The Company considers its employee relations to be good. The Company's employees are not represented by a labor union, and it has experienced no work stoppages since inception.

FACILITIES

The Company's principal facilities, all of which are leased, are as follows:

Facility	Location	Approx. Sq. Ft.	Expiration of Lease
Corporate Headquarters.....	Milford, NH	84,000	July 1998(1)
Sales and Service Facility.....	Keene, NH	22,000	July 2008
Sales Facility.....	Hudson, NH	8,300	August 1998(2)
Conference Center.....	Marlow, NH	15,800	May 2007
Distribution Center.....	Wilmington, OH	102,000	December 2000
Distribution Facility.....	Xenia, OH	25,700	September 1998(3)

- (1) The Company has entered into a fifteen year lease for a new corporate headquarters which the Company plans to occupy in the summer of 1998.
- (2) The Company has the option to renew the lease for this facility annually for one-year periods through August 2002.
- (3) The Company has the option to renew the lease for this facility annually for one-year periods through September 2000.

Several of these facilities are leased from affiliated entities. See "Certain Transactions."

While the Company believes that its existing facilities in Wilmington and Xenia, Ohio will be sufficient to support the Company's anticipated needs through the next 12 months, it is evaluating additional and/or alternative facilities for distribution and inventory to support future growth.

REGULATORY AND LEGAL MATTERS

The direct response business conducted by the Company is subject to the Mail or Telephone Order Merchandise Rule and related regulations promulgated by the Federal Trade Commission. While the Company believes it is in compliance with such regulations, no assurance can be given that new laws or regulations will not be enacted or adopted that might adversely affect the Company's operations. There are no material legal proceedings pending against the Company.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of the Company and their ages as of October 31, 1997 are as follows:

NAME	AGE	POSITION
- - - - -	---	-----
Patricia Gallup.....	43	Chairman of the Board, President and Chief Executive Officer
David Hall.....	48	Vice Chairman of the Board, Executive Vice President and Treasurer
Wayne L. Wilson.....	48	Senior Vice President, Chief Operating Officer and Chief Financial Officer
Robert F. Wilkins.....	35	Vice President of Merchandising and Product Management
R. Wayne Roland.....	49	Vice President of Fulfillment Operations
John L. Bomba, Jr. ....	44	Vice President of Information Systems and Chief Information Officer
David B. Beffa-Negrini.....	43	Director
Martin C. Murrer(1).....	40	Director
Peter J. Baxter(1).....	46	Director

(1) Member of Compensation Committee and Audit Committee.

Patricia Gallup is a co-founder of the Company and has served as Chairman of the Board, President and Chief Executive Officer of the Company since September 1995. From September 1994 to September 1995, Ms. Gallup served as Chairman of the Board and Chief Executive Officer of the Company. From August 1990 to September 1994, she served as the Company's President and Chief Executive Officer.

David Hall is a co-founder of the Company and has served as Vice Chairman of the Board, Executive Vice President and Treasurer of the Company since June 1997. From February 1995 to June 1997, Mr. Hall served as the Company's Vice Chairman of the Board and Executive Vice President. From March 1991 to February 1995, he served as the Executive Vice President of the Company. Effective November 21, 1997, Mr. Hall resigned his positions as Executive Vice President and Treasurer of the Company.

Wayne L. Wilson has served as Senior Vice President, Chief Operating Officer and Chief Financial Officer of the Company since January 1996. From August 1995 to January 1996, he served as Senior Vice President of Finance and Chief Financial Officer of the Company. Prior to joining the Company, Mr. Wilson was a partner in the accounting and consulting firm of Deloitte & Touche LLP from June 1986 to August 1995.

Robert F. Wilkins has served as Vice President of Merchandising and Product Management of the Company since December 1995. From September 1994 to December 1995, Mr. Wilkins was a consultant to the Company and certain of its affiliates. From February 1990 to September 1994, Mr. Wilkins served as President of Mac's Place.

R. Wayne Roland has served as Vice President of Fulfillment Operations of the Company since March 1996. From June 1995 to March 1996, he was a consultant to the Company. From July 1990 to June 1995, Mr. Roland served as controller and then as Director of Strategic Projects for Brookstone, Inc.

John L. Bomba, Jr. has served as Vice President of Information Systems and Chief Information Officer of the Company since May 1997. From May 1994 to April 1997, Mr. Bomba served as Director of Worldwide Information Systems for Micro Warehouse, Inc. Prior to May 1994, he served as Director of Professional Services for Innovative Information Systems, Inc.

David B. Beffa-Negrini has served on the Company's Board of Directors since September 1994 and as the Director of Merchandising of the Company since January 1992.

Martin C. Murrer has served on the Company's Board of Directors since April 1995. Since January 1997, Mr. Murrer has been a managing director of Donaldson, Lufkin & Jenrette Securities Corporation. From June 1995 to January 1997, Mr. Murrer was a Senior Vice President of Donaldson, Lufkin & Jenrette Securities Corporation. From June 1990 to June 1995, Mr. Murrer was a Vice President of Goldman, Sachs & Co.

Peter J. Baxter has served on the Company's Board of Directors since September 1997. Mr. Baxter has been the President, Chief Executive Officer and a director of CFX Corporation, a bank holding company, since January 1989.

There are no family relationships among any of the directors and executive officers of the Company. Officers serve at the discretion of the Board of Directors of the Company (the "Board").

#### COMMITTEES OF THE BOARD

The Board has established a Compensation Committee and an Audit Committee, each comprised of Messrs. Murrer and Baxter. The Compensation Committee makes recommendations concerning salaries and incentive compensation for employees of and consultants to the Company and administers the Company's incentive plans. The Audit Committee reviews the results and scope of the audit and other services provided by the Company's independent public accountants.

#### COMPENSATION OF DIRECTORS

Non-employee members of the Board and Mr. Beffa-Negrini, an employee director of the Company, receive a \$15,000 annual retainer and fees of \$1,000 for each Board meeting attended and \$500 for each Board committee meeting attended on a day other than the day of the Board meeting, as well as reimbursement for all reasonable expenses incurred in attending Board and committee meetings. Mr. Murrer has waived payment of his director's fees and in lieu thereof the Company has established a grant program pursuant to which a donee selected by Mr. Murrer can purchase products having a value equal to the amount of the waived fees.

EXECUTIVE COMPENSATION

Summary Compensation. The following table sets forth compensation paid to the Chief Executive Officer and each of the four other most highly compensated individuals who served as executive officers on December 31, 1996 and who received over \$100,000 in compensation for services rendered to the Company in all capacities during the fiscal year ended December 31, 1996 (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	1996 ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS	ALL OTHER COMPENSATION(\$)
	SALARY(\$)	BONUS(\$)	OTHER ANNUAL COMPENSATION(\$)	SECURITIES UNDERLYING OPTIONS (#)	
Patricia Gallup ..... Chairman of the Board, President and Chief Executive Officer	\$240,000	--	\$629,500(1)	--	\$2,250(3) 408(4)
David Hall..... Vice Chairman of the Board, Executive Vice President and Treasurer	240,000	--	629,500(1)	--	2,250(3) 696(4)
Wayne L. Wilson..... Senior Vice President, Chief Operating Officer and Chief Financial Officer	230,000	70,000(2)	--	50,000	696(4)
Robert F. Wilkins..... Vice President of Merchandising and Product Management	140,000	60,385(2)	--	20,000	216(4)
R. Wayne Roland..... Vice President of Fulfillment Operations	104,167	94,800(2)	--	--	25,360(5) 464(4)

- (1) Represents amounts accrued or distributed for Company-related federal income tax obligations payable by the stockholders.
- (2) Includes amounts paid in 1997 to Named Executive Officer earned in 1996.
- (3) Represents the Company's 401(k) profit-sharing plan matching contribution.
- (4) Represents premiums paid by the Company on life insurance with policy amounts in excess of \$50,000 for the Named Executive Officer.
- (5) Represents consultant fees paid between January 1, 1996 and March 1, 1996.

Employment and Severance Agreements.

In August 1995, the Company entered into an employment agreement with Wayne L. Wilson, pursuant to which he is currently serving as Senior Vice President, Chief Operating Officer and Chief Financial Officer, providing for an initial annual base salary of \$230,000. In addition, the agreement provided for (i) deferred incentive compensation up to \$70,000 a year; (ii) additional compensation up to \$12,500 in each of the first two fiscal quarters of his employment; and (iii) the grant of options to acquire 50,000 shares of Non-Voting Common Stock under the Company's 1993 Incentive and Non-Statutory Stock Option Plan. See "Stock Plans." Upon termination of his employment by the Company without cause, Mr. Wilson shall be entitled to severance payments totaling his annual base salary as of the date of the termination of his employment.

In December 1995, the Company entered into an employment agreement with Robert F. Wilkins, pursuant to which he is currently serving as Vice President of Merchandising and Product Management. The agreement provides for an annual base salary of \$140,000 and annual incentive compensation of up to \$60,000, based upon the achievement of certain performance goals. If Mr. Wilkins is terminated by the Company without cause, he is entitled to severance payments equal to one-half of his annual base salary as of the date of the termination of his employment.

In March 1997, the Company entered into a letter agreement with R. Wayne Roland, providing for a severance payment equal to one-half of his then applicable annual base salary if the Company terminates his employment for any reason other than for cause. Mr. Roland currently holds the position of Vice President of Fulfillment Operations.

Option Grants. The following table sets forth information concerning stock options granted in the year ended December 31, 1996 to the Named Executive Officers.

OPTION GRANTS IN FISCAL 1996

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)		
	NUMBER OF UNDERLYING OPTIONS GRANTED (#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE (\$/SH)	EXPIRATION DATE(1)	0%(\$)	5%(\$)	10%(\$)
Patricia Gallup.....	--	--	--	--	--	--	--
David Hall.....	--	--	--	--	--	--	--
Wayne L. Wilson.....	50,000	55.6	1.00	1/1/2006	200,000	325,779	518,748
Robert F. Wilkins.....	20,000	22.2	1.00	1/1/2006	80,000	130,312	207,500
R. Wayne Roland.....	--	--	--	--	--	--	--

- (1) Options may terminate before their expiration date if the optionee's status as an employee or consultant is terminated or upon optionee's death.
- (2) The 5% and 10% assumed annual compound rates of stock price appreciation are mandated by the rules of the Securities and Exchange Commission and do not represent the Company's estimated projection of future prices of its securities. In calculating the potential realizable value the Company used fair market value of \$5.00 per share at the date of grant as determined by the Board.

Option Exercises and Options Outstanding. The following table sets forth the number of shares covered by both exercisable and unexercisable stock options as of December 31, 1996 for the Named Executive Officers. Also reported are the values for "in the money" options, which represent the positive spread between the exercise prices of any such existing stock options and the fair market value of the Company's Common Stock as of December 31, 1996.



AGGREGATE OPTION EXERCISES IN FISCAL 1996  
AND DECEMBER 31, 1996 OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE		NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1996		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1996(\$)(1)	
	(#)	VALUE (\$)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Patricia Gallup.....	--	--	--	--	--	--
David Hall.....	--	--	--	--	--	--
Wayne L. Wilson.....	--	--	--	100,000	--	200,000
Robert F. Wilkins.....	--	--	--	40,000	--	80,000
R. Wayne Roland.....	--	--	--	--	--	--

(1) Calculated by determining the difference between the fair market value of the securities underlying the option at December 31, 1996 (\$5.00 per share as determined by the Board of Directors) and the exercise price of the options.

STOCK PLANS

1993 Incentive and Non-Statutory Stock Option Plan.

The Company's 1993 Incentive and Non-Statutory Stock Option Plan (the "1993 Option Plan") was approved by the Board of Directors and the stockholders in December 1993. At October 31, 1997, options to purchase a total of 799,000 shares of Company Common Stock were outstanding at a weighted average exercise price of \$3.60 per share under the 1993 Option Plan, and 1,450,000 shares of Company Common Stock were reserved for issuance under the 1993 Option Plan.

The 1993 Option Plan provides for the grant of incentive stock options and non-statutory stock options to employees, consultants, directors and officers. The exercise price of all incentive stock options granted under the 1993 Option Plan must be at least equal to the fair market value per share of Company Common Stock on the date of grant or 110% of the fair market value for stockholders holding greater than 10% of the Company's Common Stock. The terms of options granted under the 1993 Option Plan may not exceed ten years and options granted to stockholders holding greater than 10% of the Voting Common Stock may not exceed five years. In the event of termination of an optionee's employment or consulting arrangement, options may only be exercised, to the extent vested as of the date of termination, for a period not to exceed 30 days (180 days, in the case of termination as a result of death) following the date of termination. Options may not be sold or transferred other than by will or the laws of descent and distribution, and may be exercised during the life of the optionee only by the optionee. Effective upon the consummation of the Offering, the Company does not intend to grant any further options under the 1993 Option Plan.

1997 Stock Incentive Plan.

The Company's 1997 Stock Incentive Plan (the "1997 Stock Plan") provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, performance shares and awards of restricted stock and unrestricted stock ("Awards"). An aggregate of shares of Common Stock may be issued pursuant to the 1997 Stock Plan (subject to adjustment for certain changes in the Company's capitalization).

The 1997 Stock Plan is administered by the Board and the Compensation Committee. The Board has the authority to grant Awards under the 1997 Stock Plan and to accelerate, waive or amend certain provisions of outstanding Awards. The Board has authorized the Compensation Committee to administer certain aspects of the 1997 Stock Plan and has authorized the Chief Executive Officer of the Company to grant Awards to non-executive officer employees. The maximum number of shares represented by such Awards may not exceed shares in the aggregate or shares to any one employee.

Incentive Stock Options and Nonstatutory Options. Optionees receive the right to purchase a specified number of shares of Common Stock at some time in the future at an option price and subject to such terms and conditions as are specified at the time of the grant. Incentive stock options and options that the Board or Compensation Committee intends to qualify as performance-based compensation under Section 162(m) of the Code may not be granted at an exercise price less than the fair market value of the Common Stock on the date of grant (or less than 110% of the fair market value in the case of incentive stock options granted to optionees holding 10% or more of the voting stock of the Company). All other options may be granted at an exercise price that may be less than, equal to or greater than the fair market value of the Common Stock on the date of grant.

Stock Appreciation Rights and Performance Shares. A stock appreciation right ("SAR") is based on the value of Common Stock and entitles the SAR holder to receive consideration to the extent that the fair market value on the date of exercise of the shares of Common Stock underlying the SAR exceeds the fair market value of the underlying shares on the date the SAR was granted. A performance share award entitles the recipient to acquire shares of Common Stock upon the attainment of specified performance goals.

Restricted and Unrestricted Stock. Restricted stock awards entitle recipients to acquire shares of Common Stock, subject to the right of the Company to repurchase all or part of such shares at their purchase price from the recipient in the event that the conditions specified in the applicable stock award are not satisfied prior to the end of the applicable restriction period established for such award. The Company may also grant (or sell at a purchase price not less than 85% of the fair market value on the date of such sale) to participants shares of Common Stock free of any restrictions under the 1997 Stock Plan.

All of the employees, officers, directors, consultants and advisors of the Company who are expected to contribute to the Company's future growth and success are eligible to participate in the 1997 Stock Plan.

Section 162(m) of the Code disallows a tax deduction to public companies for certain compensation in excess of \$1 million paid to the company's chief executive officer or to any of the four other most highly compensated executive officers. Certain compensation, including "performance-based compensation," is not included in compensation subject to the \$1 million limitation. The 1997 Stock Plan limits to the maximum number of shares of Common Stock with respect to which Awards may be granted to any employee in any calendar year. This limitation is intended to preserve the tax deductions to the Company that might otherwise be unavailable under Section 162(m) with respect to certain Awards.

#### 1997 Employee Stock Purchase Plan.

The Company's 1997 Employee Stock Purchase Plan (the "Purchase Plan") authorizes the issuance of up to an aggregate of shares of Common Stock to participating employees. The Company will make one or more offerings ("Plan Offerings") to employees to purchase Common Stock under the Purchase Plan. Plan Offerings may be six months or one year in duration and will commence on June 1 and December 1, commencing on June 1 or December 1 immediately following the consummation of the Offering. During each Plan Offering, the maximum number of shares which may be purchased by a participating employee is determined on the first day of the Plan Offering period under a formula whereby 85% of the market value of a share of Common Stock on the first day of the Plan Offering period is divided into an amount equal to 10% of the employee's annualized compensation (or such lower percentage as may be established by the Compensation Committee) for the immediately preceding period equivalent in length to the Plan Offering. An employee may elect to have up to 10% deducted from his or her regular salary (or such lower percentage as may be established by the Compensation Committee for this purpose. The price at which an employee's option is exercised is the lower of (i) 85% of the closing price of the Common Stock on the Nasdaq National Market on the day that the Plan Offering commences or (ii) 85% of the closing price on the Nasdaq National Market on the day that the Plan Offering terminates.

The Purchase Plan is administered by the Board and the Compensation Committee. With certain exceptions, all eligible employees, including directors and officers, regularly employed by the Company for at least six months on the applicable Plan Offering commencement date are eligible to participate in the Purchase Plan. The

Purchase Plan is intended to qualify as an "employee stock purchase plan" as defined in Section 423 of the Code.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee reviews and approves compensation and benefits for the Company's executive officers, and grants options to executive officers under the 1997 Stock Plan. No interlocking relationship exists between any member of the Compensation Committee and any member of any other company's board of directors or compensation committee.

## CERTAIN TRANSACTIONS

Since inception, the Company has been privately held by the two principal stockholders and, in all periods described in the Prospectus, has elected to be treated as an S Corporation for federal and applicable state tax laws. As a result, the principal stockholders have conducted activities and acquired properties through other entities owned directly by them rather than through the Company and such entities have entered into transactions with the Company. The following description is a summary of the material portions of such transactions. Following the consummation of the Offering, all transactions described below, other than the leases of facilities, will terminate.

### LEASES

The Company currently has leases for a facility in Marlow, New Hampshire and two facilities in Keene, New Hampshire with Gallup & Hall, a partnership ("G&H") owned solely by Patricia Gallup and David Hall, the Company's principal stockholders. Rent expense under all such leases aggregated \$260,000, \$236,000 and \$236,000 for the years ended December 31, 1994, 1995 and 1996, respectively, and \$176,000 and \$192,000 for the nine months ended September 30, 1996 and 1997, respectively. The Company also leased an additional facility in Marlow, New Hampshire from an entity owned 20% by David Hall, which was terminated in 1996. Lease payments for such facility were \$44,000, \$25,000, (\$171,000) (net of a \$200,000 lease termination payment received by the Company) and \$20,000, for the years ended December 31, 1994, 1995 and 1996, and the nine months ended September 30, 1996, respectively.

The Company also leases several other buildings from G&H on a month-to-month basis. Rent expense under all such leases aggregated \$37,000, \$37,000 and \$46,000 for the years ended December 31, 1994, 1995 and 1996, respectively, and \$35,000 and \$35,000 for the nine months ended September 30, 1996 and 1997, respectively.

In November 1997, the Company entered into a fifteen-year lease for a new 103,000 square foot corporate headquarters in Merrimack, New Hampshire with G&H Post, L.L.C., an entity owned solely by Patricia Gallup and David Hall. The Company expects to occupy the new facility in the summer of 1998. Annual rental expense under the terms of the lease will be \$720,000, or approximately \$7.00 per square foot.

While the Company believes the terms of each of these leases are fair to the Company, their terms were not negotiated on an arms-length basis and, accordingly, there can be no assurance that the terms of each of the leases are as favorable to the Company as those which could have been obtained from independent third parties.

### CERTAIN STOCKHOLDER LOANS

Prior to the Offering, Patricia Gallup and David Hall made loans to the Company to fund working capital requirements. Such indebtedness bore interest at 6% and was payable on demand. The maximum aggregate amount owed to Patricia Gallup and David Hall at any time during the years ended December 31, 1994 and 1995 was \$1.6 million. Such indebtedness was repaid in full during 1995. Interest payments on such indebtedness were approximately \$74,000 and \$4,000 for the years ended December 31, 1994 and 1995, respectively.

### TRANSFER OF PATENTS, PATENT APPLICATION RIGHTS AND RELATED PROPRIETARY MATERIALS

During 1994, the Company transferred to Patricia Gallup and David Hall certain patents, patent application rights and related proprietary materials to certain technologies then under development by the Company. The carrying value of these assets at the time of transfer was nil as all related costs were expensed by the Company as incurred. Research and development costs related to these technologies and charged to expense during the year ended December 31, 1994 totaled approximately \$1.1 million. All development activities related to these technologies were assumed, effective January 1, 1995, by a new company organized and owned solely by Patricia Gallup and David Hall. None of the transferred intellectual property related to the Company's business as presently conducted or as proposed to be conducted.

#### OTHER TRANSACTIONS WITH AFFILIATED COMPANIES

The Company purchased administrative support services from an affiliated company owned solely by Patricia Gallup and David Hall. Amounts paid to such company totaled \$736,000 for the year ended December 31, 1996 and \$377,000 and \$671,000 for the nine months ended September 30, 1996 and 1997, respectively. Subsequent to the Offering, the Company will not purchase any services from such affiliate.

The Company purchased television advertising from an affiliated company owned solely by Patricia Gallup and David Hall. Amounts paid to such company totaled \$223,000, \$77,000 and \$0 for the years ended December 31, 1994, 1995 and 1996, respectively, and \$492,000 for the nine months ended September 30, 1997. The Company does not expect to purchase any advertising from such affiliate subsequent to the Offering. During 1994, the Company recorded income from the rental of certain equipment to such affiliate of \$186,000. The Company recorded no income for the use of certain equipment from such affiliate for the years ended December 31, 1995 and 1996 and the nine months ended September 30, 1997. The Company also made advances of funds to such affiliate during the year ended December 31, 1994 totalling \$544,000. The Company determined that collection of such advances was uncertain, and recorded a \$544,000 expense representing an allowance for uncollectible receivables from affiliates during the year ended December 31, 1994. The Company subsequently wrote off the related receivable during the year ended December 31, 1996.

The Company also purchased services from other affiliated entities aggregating \$55,000, \$3,000 and \$27,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

The Company provided various management-related services to entities owned solely by Patricia Gallup and David Hall, for which the Company received \$46,000 and \$78,000 during the years ended December 31, 1994 and 1995. The Company received no payments for these services during the year ended December 31, 1996 and the nine months ended September 30, 1997. The Company does not anticipate providing such services subsequent to the Offering.

The Company sold certain property and equipment having net book values of \$77,000, \$30,000, \$0 and \$14,000 during the years ended December 31, 1994, 1995, 1996, and the nine months ended September 30, 1997 respectively, to affiliated companies owned solely by Patricia Gallup and David Hall. Proceeds received with respect to these sales totaled \$102,000, \$33,000, \$19,000 and \$1,000 in 1994, 1995, 1996 and the nine months ended September 30, 1997, respectively.

#### S CORPORATION DISTRIBUTIONS AND RELATED DIVIDEND PAYABLE

The Company has made accruals or distributions of S Corporation earnings, accounted for as additional compensation expense, to its stockholders. Such accruals aggregated \$1.3 million for the year ended December 31, 1996 and \$1.4 million and \$8.6 million for the nine months ended September 30, 1996 and 1997, respectively. Subsequent to September 30, 1997, the Company expects to declare a dividend to its stockholders representing cumulative undistributed S Corporation earnings through the date of the closing of the Offering (at which time the Company's election to be treated as an S Corporation will terminate). At September 30, 1997, the amount of such cumulative undistributed S Corporation earnings was approximately \$26 million. The Company expects to pay the dividend from the net proceeds of the Offering. See "Use of Proceeds" and Note 12 to the Financial Statements.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding beneficial ownership of the Company's voting securities as of October 31, 1997, assuming exercise of options that are vested and would be exercisable, assuming consummation of the Offering, within 60 days of October 31, 1997, (i) by each person who, to the knowledge of the Company, beneficially owns more than 5% of any class of the Company's voting securities; (ii) by each director of the Company; (iii) by each Named Executive Officer of the Company named under "Management--Executive Compensation--Summary Compensation Table," and (iv) by all directors and officers of the Company as a group. The address for all executive officers and directors is c/o PC Connection, Inc., 528 Route 13, Milford, New Hampshire 03055.

NAME	SHARES BENEFICIALLY OWNED(1)	PERCENT OWNERSHIP	
		BEFORE THE OFFERING	AFTER THE OFFERING (1)
Patricia Gallup(2).....	4,500,000	50.0%	
David Hall(3).....	4,500,000	50.0%	
Wayne L. Wilson(4).....	112,500	1.2%	
Robert F. Wilkins(5).....	65,000	*	
R. Wayne Roland(6).....	10,000	*	
David Beffa-Negrini(7).....	175,000	1.9%	
Martin C. Murrer(8).....	50,000	*	
All executive officers and directors as a group (nine persons).....	9,412,500	100.0%	

\* Less than one percent

- (1) Does not reflect the Reorganization. If the Underwriters' over-allotment options are exercised in full, the Company will sell \_\_\_\_\_ shares of Common Stock and Selling Stockholders will sell an aggregate of \_\_\_\_\_ shares of Common Stock. In such event, upon completion of the Offering, Patricia Gallup will sell \_\_\_\_\_ shares and beneficially own \_\_\_\_\_ shares, or \_\_\_\_\_ % of the Company's outstanding Common Stock, and David Hall will sell \_\_\_\_\_ shares and beneficially own \_\_\_\_\_ shares, or \_\_\_\_\_ % of the Company's outstanding Common Stock.
- (2) Includes 1,125,000 shares held of record by Gallup PC Connection Stock Trust FOB Patricia Gallup.
- (3) Includes 1,125,000 shares held of record by Hall PC Connection Stock Trust FOB David Hall.
- (4) Includes 112,500 shares issuable upon exercise of stock options that are vested and would be exercisable, assuming consummation of the Offering, within 60 days of October 31, 1997.
- (5) Includes 65,000 shares issuable upon exercise of stock options that are vested and would be exercisable, assuming consummation of the Offering, within 60 days of October 31, 1997.
- (6) Includes 10,000 shares issuable upon exercise of stock options that are vested and would be exercisable, assuming consummation of the Offering, within 60 days of October 31, 1997.
- (7) Includes 175,000 shares issuable upon exercise of stock options that are vested and would be exercisable, assuming consummation of the Offering, within 60 days of October 31, 1997.
- (8) Includes 50,000 shares issuable upon exercise of stock options that are vested and would be exercisable, assuming consummation of the Offering, within 60 days of October 31, 1997.

## DESCRIPTION OF CAPITAL STOCK

As of October 31, 1997 (after giving effect to the Reorganization), there were outstanding an aggregate of \_\_\_\_\_ shares of Company Common Stock held of record by four stockholders.

### COMMON STOCK

The Company's Amended and Restated Articles of Incorporation ("the Restated Articles") authorize the issuance of up to \_\_\_\_\_ shares of Company Common Stock, \$.01 par value per share. Holders of Voting Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of Voting Common Stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of Company Common Stock are entitled to receive ratably such dividends, if any, as may be declared by the Board out of funds legally available therefore, subject to any preferential dividend rights of outstanding shares of preferred stock. Upon the liquidation, dissolution or winding up of the Company, the holders of Company Common Stock are entitled to receive ratably the net assets of the Company available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding shares of preferred stock. Holders of Company Common Stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of Company Common Stock are, and the shares of Common Stock offered by the Company in the Offering will be, when issued and paid for, fully paid and nonassessable. The rights, preferences and privileges of holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which the Company may designate and issue in the future.

### PREFERRED STOCK

The Restated Articles authorize the issuance of up to 7,500,000 shares of preferred stock, \$.01 par value per share (the "Preferred Stock"). Under the terms of the Restated Articles, the Board is authorized, subject to any limitations prescribed by law, without stockholder approval, to issue such shares of Preferred Stock in one or more series. Each such series of Preferred Stock shall have such rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by the Board.

The purpose of authorizing the Board to issue Preferred Stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of the outstanding voting stock of the Company. The Company has no present plans to issue any shares of Preferred Stock.

### NEW HAMPSHIRE LAW AND CERTAIN PROVISIONS OF THE RESTATED ARTICLES AND BYLAWS

Under the Restated Articles, any vacancy on the Board, however occurring, including a vacancy resulting from an enlargement of the Board, may only be filled by vote of a majority of the directors then in office. The Restated Articles also provide that any action required or permitted to be taken by the stockholders of the Company at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting. The Restated Articles further provide that special meetings of the stockholders may only be called by a Chairman of the Board, the Board or the holders of shares representing at least ten percent of all the votes enabled to be cast on any issue proposed to be considered at the special meeting. Under the Company's Bylaws, in order for any matter to be considered "properly brought" before a meeting, a stockholder must comply with certain requirements regarding advance notice to the Company. The foregoing provisions could have the effect of delaying stockholder actions which are favored by the holders of a majority of the outstanding voting securities of the Company and may also discourage another person or entity from making a tender offer for the Company's Common Stock, because such

person or entity, even if it acquired a majority of the outstanding voting securities of the Company, would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders meeting, and not by written consent.

The Restated Articles contain certain provisions permitted under the New Hampshire Business Corporation Act relating to the liability of directors. The provisions eliminate a director's liability for monetary damages for a breach of fiduciary duty, except in certain circumstances involving wrongful acts, such as the breach of a director's duty of loyalty or acts or omissions which involve intentional misconduct or a knowing violation of law. Further, the Restated Articles contain provisions to indemnify the Company's directors and officers to the fullest extent permitted by the New Hampshire Business Corporation Act. The Company believes that these provisions will assist the Company in attracting and retaining qualified individuals to serve as directors.

#### TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's Common Stock is American Stock Transfer & Trust Company.

#### SHARES ELIGIBLE FOR FUTURE SALE

Prior to the Offering, there has been no market for the Common Stock of the Company. Future sales of substantial amounts of Common Stock in the public market could adversely affect prevailing market prices.

Upon completion of the Offering (based on shares outstanding at October 31, 1997), the Company will have outstanding an aggregate of \_\_\_\_\_ shares of Common Stock, assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding options. The \_\_\_\_\_ shares sold in the Offering will be freely tradeable without restrictions or further registration under the Securities Act, unless such shares are purchased by an existing "affiliate" of the Company as that term is defined in Rule 144 under the Securities Act (an "Affiliate"). The remaining \_\_\_\_\_ shares of Common Stock held by existing stockholders are "restricted securities" as that term is defined in Rule 144 under the Securities Act ("Restricted Shares"). Restricted Shares may be sold in the public market only if registered or if they qualify for an exemption from registration, including the exemption provided by Rule 144 promulgated under the Securities Act, which rule is summarized below.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this Prospectus, a person (or persons whose shares are aggregated) who has beneficially owned Restricted Shares for at least one year (including the holding period of any prior owner except an Affiliate) would be entitled to sell within any three-month period a number of shares that does not exceed the greater of (i) one percent of the number of shares of Common Stock then outstanding (which will equal approximately \_\_\_\_\_ shares immediately after the Offering); or (ii) the average weekly trading volume of the Common Stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about the Company. Under Rule 144(k), a person who is not deemed to have been an Affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years (including the holding period of any prior owner except an Affiliate), is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Accordingly, unless otherwise restricted, "144(k) shares" may therefore be sold immediately upon the completion of the Offering.

All Company officers, directors and existing stockholders and holders of stock options exercisable within 180 days after the date of this Prospectus have entered into agreements (the "Lock-up Agreements") pursuant to which they have agreed not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer, lend



or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock for a period of 180 days after the date of this Prospectus, without the prior written consent of Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"), subject to certain limited exceptions.

Following the Offering, the Company intends to file registration statements under the Securities Act covering all shares of Common Stock subject to outstanding options or reserved for issuance under the Company's 1993 Option Plan, 1997 Stock Plan and 1997 Purchase Plan. See "Management--Stock Plans." Accordingly, shares registered under such registration statements will, subject to Rule 144 volume limitations applicable to Affiliates, be available for sale in the open market following the expiration of the Lock-up Agreements.

The Company has agreed not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer, lend or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Common Stock, for a period of 180 days after the date of this Prospectus, without the prior written consent of DLJ, subject to certain limited exceptions.

UNDERWRITING

Subject to certain conditions contained in the Underwriting Agreement (the "Underwriting Agreement"), the underwriters named below (the "Underwriters"), for whom DLJ, NationsBanc Montgomery Securities, Inc. and William Blair & Company, L.L.C. are acting as representatives (the "Representatives"), have severally agreed to purchase from the Company the number of shares of Common Stock that each Underwriter has agreed to purchase as set forth opposite its name below:

UNDERWRITERS	NUMBER OF SHARES
Donaldson, Lufkin & Jenrette Securities Corporation.....	
NationsBanc Montgomery Securities, Inc.....	
William Blair & Company, L.L.C. ....	
 	----
Total.....	====

The Underwriting Agreement provides that the obligations of the several Underwriters to purchase and accept delivery of the shares of Common Stock offered are subject to approval of certain legal matters by counsel and certain other conditions. If any shares of Common Stock are purchased by the Underwriters pursuant to the Underwriting Agreement, all such shares (other than shares covered by the over-allotment option described below) must be purchased.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Underwriters may be required to make in respect thereof.

The Representatives have advised the Company that the Underwriters propose initially to offer the shares of Common Stock to the public at the price set forth on the cover page of this Prospectus, and to certain dealers (who may include the Underwriters) at such price less a concession not in excess of \$ per share. The Underwriters may allow, and such dealers may reallow, discounts not in excess of \$ per share to any other Underwriter and certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The Company and the Selling Stockholders have granted an option to the Underwriters exercisable for 30 days after the date of this Prospectus, to purchase up to an aggregate of additional shares of Common Stock at the initial public offering price set forth on the cover page of this Prospectus, net of underwriting discounts and commissions. Such option may be exercised at any time until 30 days after the date of this Prospectus. See "Principal Stockholders." To the extent that the Representatives exercise such option, each of the Underwriters will be committed, subject to certain conditions, to purchase a number of option shares proportionate to such Underwriter's initial commitment as indicated in the preceding table.

At the Company's request, the Underwriters have reserved up to shares for sale at the initial public offering price to certain of the Company's employees, members of their immediate families and other individuals who are business associates of the Company in each case as such parties have expressed an interest in purchasing such shares. The number of shares available for sale to the general public will be reduced to the extent these

individuals purchase such reserved shares. Any reserved shares not purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby.

The Company, its officers, directors, stockholders and certain employees of the Company have agreed, subject to certain exceptions, not to directly or indirectly sell, offer to sell, grant any option for the sale of or otherwise dispose of any shares of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock, without the prior written consent of DLJ, on behalf of the Underwriters, for a period of 180 days after the date of this Prospectus. See "Shares Eligible for Future Sale."

Prior to the Offering, there has been no public market for the Common Stock of the Company. The initial public offering price will be determined through negotiations between the Company and the Representatives. Among the factors considered in determining the initial public offering price, in addition to prevailing market conditions, are price-earnings ratios of publicly traded companies that the Representatives believe to be comparable to the Company, certain financial information of the Company, the history of, and the prospects for, the Company and the industry in which it competes, and assessment of the Company's management, its past and present operations, the prospects for, and timing of, future revenues of the Company, the present state of the Company's development, and the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to the Company. There can be no assurance that an active trading market will develop for the Common Stock or that the Common Stock will trade in the public market subsequent to the Offering at or above the initial public offering price.

The Company has applied to have the Common Stock quoted on the Nasdaq National Market under the symbol "PCCC."

The Underwriters do not intend to confirm sales of the Common Stock offered hereby to any accounts over which they exercise discretionary authority.

Martin C. Murrer, a managing director of DLJ, is a director of the Company. See "Management-- Executive Officers and Directors."

#### LEGAL MATTERS

The validity of the issuance of the shares of Common Stock offered hereby will be passed upon for the Company by Hale and Dorr LLP, Boston, Massachusetts. Certain legal matters in connection with the Offering will be passed upon for the Underwriters by Latham & Watkins, New York, New York.

#### EXPERTS

The financial statements of the Company as of December 31, 1995 and 1996 and September 30, 1997 and for each of the three years in the period ended December 31, 1996 and for the nine months ended September 30, 1997, included in this Prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

#### ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement (which term shall include all amendments, exhibits, schedules and supplements thereto) on Form S-1 under the Securities Act with respect to the shares of Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the

Commission, to which Registration Statement reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. The Registration Statement and the exhibits thereto may be inspected and copied at prescribed rates at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission located at Seven World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. In addition, the Company is required to file electronic versions to these documents with the Commission through the Commission's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. The Commission maintains a World Wide Web site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

The Company intends to distribute annual reports to its stockholders containing audited financial statements. The Company also intends to make available to its stockholders, within 45 days after the end of each fiscal quarter, reports for the first three quarters of each fiscal year containing unaudited interim financial information.

PC CONNECTION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
PC Connection, Inc.:

We have audited the accompanying balance sheets of PC Connection, Inc. as of December 31, 1995 and 1996 and September 30, 1997, and the related statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996 and for the nine months ended September 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of PC Connection, Inc. as of December 31, 1995 and 1996 and September 30, 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 and for the nine months ended September 30, 1997, in conformity with generally accepted accounting principles.

Deloitte & Touche llp

Boston, Massachusetts  
November 4, 1997  
(November 21, 1997 as to Note 12)

## PC CONNECTION, INC.

## BALANCE SHEETS

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

ASSETS	DECEMBER 31,		SEPTEMBER 30, 1997	PRO FORMA
	1995	1996		SEPTEMBER 30, 1997
				(UNAUDITED)
Current Assets:				
Cash.....	\$ 674	\$ 162	\$ 723	\$ 723
Accounts receivable, net.....	16,096	21,043	24,541	24,541
Inventories--merchandise.....	22,262	44,419	60,745	60,745
Prepaid expenses and other current assets.....	2,520	1,943	1,237	1,237
Total current assets.....	41,552	67,567	87,246	87,246
Property and equipment, net.....	7,063	7,671	8,303	8,303
Total.....	\$48,615	\$75,238	\$95,549	\$95,549
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Short-term borrowings.....	\$ 4,933	\$12,307	\$ 8,130	\$ 8,130
Current maturities of long-term debt.....	--	750	1,250	1,250
Dividend payable.....	--	--	--	26,000
Amounts payable to stockholders..	--	--	2,958	2,958
Accounts payable.....	22,140	36,568	53,711	53,711
Accrued expenses and other liabilities.....	3,485	3,320	4,720	4,720
Total current liabilities.....	30,558	52,945	70,769	96,769
Term Loan, less current maturities .....	5,000	4,250	3,500	3,500
Total liabilities.....	35,558	57,195	74,269	100,269
	-----	-----	-----	-----
Commitments and Contingencies (Note 10)				
Stockholders' Equity:				
Common stock:				
Series A Non-Voting, \$.01 par value, 7,500,000 shares authorized, 6,750,000 shares issued and outstanding in 1995, 1996 and 1997.....	68	68	68	68
Series B Voting, \$.01 par value, 2,500,000 shares authorized, 2,250,000 shares issued and outstanding in 1995, 1996 and 1997.....	22	22	22	22
Additional paid-in capital.....	3,022	3,252	4,037	4,037
Retained earnings.....	9,945	14,701	17,153	(8,847)
Total stockholders' equity.....	13,057	18,043	21,280	(4,720)
	-----	-----	-----	-----
Total.....	\$48,615	\$75,238	\$95,549	\$95,549
	=====	=====	=====	=====

See notes to financial statements.

PC CONNECTION, INC.

STATEMENTS OF OPERATIONS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
Net sales.....	\$196,659	\$252,217	\$ 333,322	\$225,074	\$ 383,460
Cost of sales.....	165,957	211,299	282,117	189,644	330,008
Gross profit.....	30,702	40,918	51,205	35,430	53,452
Selling, general and administrative expenses.....	32,653	38,373	43,739	31,005	40,965
Income (loss) from operations.....	(1,951)	2,545	7,466	4,425	12,487
Interest expense.....	(594)	(1,296)	(1,269)	(803)	(933)
Other, net.....	80	62	70	20	(43)
Income taxes.....	124	(38)	(252)	(134)	(429)
Additional stockholder/officer compensation.....	--	--	(1,259)	(1,407)	(8,630)
Net income (loss).....	<u>\$ (2,341)</u>	<u>\$ 1,273</u>	<u>\$ 4,756</u>	<u>\$ 2,101</u>	<u>\$ 2,452</u>
Pro forma data (unaudited):					
Historical income before income taxes..			\$ 5,008		\$ 2,881
Pro forma other adjustments.....			1,139		8,540
Pro forma income before income taxes..			6,147		11,421
Pro forma income taxes.....			2,397		4,454
Pro forma net income..			<u>\$ 3,750</u>		<u>\$ 6,967</u>
Pro forma net income per common share.....			<u>\$ 0.35</u>		<u>\$ 0.66</u>
Pro forma weighted average common shares outstanding.....			<u>10,597,141</u>		<u>10,595,625</u>

See notes to financial statements.



PC CONNECTION, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(AMOUNTS IN THOUSANDS)

	SERIES A COMMON STOCK	SERIES B COMMON STOCK	NO PAR VALUE COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
	-----	-----	-----	-----	-----	-----
Balance, January 1, 1994.....	\$--	\$--	\$ 299	\$2,390	\$11,013	\$13,702
Net loss.....	--	--	--	--	(2,341)	(2,341)
Compensation under non- statutory stock option agreements.....	--	--	--	325	--	325
Balance, December 31, 1994.....	--	--	299	2,715	8,672	11,686
Recapitalization.....	68	22	(299)	209	--	--
Net income.....	--	--	--	--	1,273	1,273
Compensation under non- statutory stock option agreements.....	--	--	--	98	--	98
Balance, December 31, 1995.....	68	22	--	3,022	9,945	13,057
Net income.....	--	--	--	--	4,756	4,756
Compensation under non- statutory stock option agreements.....	--	--	--	230	--	230
Balance, December 31, 1996.....	68	22	--	3,252	14,701	18,043
Net income.....	--	--	--	--	2,452	2,452
Compensation under non- statutory stock option agreements.....	--	--	--	785	--	785
Balance, September 30, 1997.....	\$ 68	\$ 22	\$ --	\$4,037	\$17,153	\$21,280
	=====	=====	=====	=====	=====	=====

See notes to financial statements.

## PC CONNECTION, INC.

## STATEMENTS OF CASH FLOWS

(AMOUNTS IN THOUSANDS)

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net income (loss).....	\$ (2,341)	\$ 1,273	\$ 4,756	\$ 2,101	\$ 2,452
Adjustments to reconcile net income to net cash provided by (used for) operating activities:					
Depreciation and amortization.....	2,143	2,795	2,815	1,976	2,713
Deferred state income taxes.....	(169)	(100)	48	--	(53)
Compensation under nonstatutory stock option agreements.....	325	98	230	162	785
Provision for doubtful accounts.....	580	997	1,297	900	1,577
Gain (loss) on sales of assets.....	(22)	(37)	(53)	--	54
Changes in assets and liabilities:					
Accounts receivable.....	(2,685)	(5,840)	(6,244)	(1,437)	(5,075)
Inventories -- merchandise.....	(8,494)	7,993	(22,157)	(12,254)	(16,326)
Prepaid expenses and other current assets...	(974)	(479)	529	1,063	759
Accounts payable.....	16,836	(10,501)	14,428	3,544	17,143
Amounts payable to stockholders.....	--	--	--	--	2,958
Accrued expenses and other liabilities.....	577	1,007	(165)	579	1,400
Net cash provided by (used for) operating activities.....	5,776	(2,794)	(4,516)	(3,366)	8,387
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchases of property and equipment.....	(4,875)	(945)	(3,433)	(2,036)	(3,421)
Proceeds from sale of property and equipment...	112	40	63	--	22
Net cash used for investing activities.....	(4,763)	(905)	(3,370)	(2,036)	(3,399)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from short-term borrowings.....	45,356	64,882	84,484	56,560	112,476
Repayment of short-term borrowings.....	(45,142)	(65,482)	(77,110)	(51,308)	(116,653)
Proceeds from (repayment of) term loan.....	--	5,000	--	--	(250)
Repayment of notes payable-- stockholders...	(1,013)	(573)	--	--	--
Net cash provided by (used for) financing activities.....	(799)	3,827	7,374	5,252	(4,427)
Increase (decrease) in cash.....	214	128	(512)	(150)	561
Cash, beginning of period.....	332	546	674	674	162
Cash, end of period.....	\$ 546	\$ 674	\$ 162	\$ 524	\$ 723

	=====	=====	=====	=====	=====
SUPPLEMENTAL CASH FLOW					
INFORMATION:					
Interest paid.....	\$ 547	\$ 1,197	\$ 1,247	\$ 782	\$ 1,021
Income taxes paid.....	84	31	96	51	175

See notes to financial statements.

PC CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS  
(INFORMATION PERTAINING TO THE NINE MONTHS ENDED SEPTEMBER 30, 1996, IS  
UNAUDITED) (AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PC Connection, Inc. (the "Company") is one of the leading direct marketers of brand-name personal computers and related peripherals, software, and networking products to business, education, government, and consumer end users located primarily in the United States. The following is a summary of significant accounting policies.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the amounts reported in the accompanying financial statements. Actual results could differ from those estimates.

Interim Results for the Nine Months Ended September 30, 1996 (unaudited)

In the opinion of management, the accompanying unaudited interim financial statements for the nine months ended September 30, 1996 have been prepared on the same basis as the audited financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim period.

Revenue Recognition

Revenue on product sales is recognized at the time of shipment. A reserve for product returns is established based upon historical trends.

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.

Prepaid Catalog Costs and Deferred Revenue

Costs of producing and distributing catalogs are deferred and charged to expense over the period that each catalog remains the most current selling vehicle (generally one to two months). Vendors have the ability to place advertisements in the catalogs for which the Company receives advertising allowances and incentives. These revenues are recognized on the same basis as the catalog costs.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for both financial and income tax reporting purposes over the estimated useful lives of the assets ranging from 3 to 7 years. For property acquired prior to 1996, depreciation was provided using accelerated methods. On January 1, 1996, the Company changed its accounting policy to provide depreciation on all property and equipment acquired after that date using the straight-line method. The effect of this change in accounting policy was to increase 1996 income before income taxes by approximately \$330. Amortization of leasehold improvements is provided for by the straight-line method for both financial and income tax reporting purposes. For financial reporting purposes, leasehold improvements are amortized over the terms of the related leases or their useful lives, whichever is shorter, whereas for income tax reporting purposes, they are amortized over the applicable tax lives. The Company periodically evaluates the carrying value of property and equipment based upon current and anticipated net income and undiscounted cash flows, and recognizes an impairment when it is probable that such estimated future net income and/or cash flows will be less than the asset carrying value.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Tax Status and Income Taxes

The stockholders of the Company have elected S Corporation tax status. As a result of this election, the taxable income of the Company is reported in the individual federal income tax returns of the stockholders, and no provision for federal income taxes is included in the accompanying financial statements.

The Company and certain of its affiliates (entities under common control) file their New Hampshire business profits tax returns on a unitary basis. Each company calculates its tax provision on a separate company basis as if it filed a separate tax return.

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income taxes comprise the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Effective with the closing of the Company's proposed initial public offering ("the Offering," see Note 12), the Company's S Corporation election will automatically be terminated, and the Company will be subject to federal and state income taxes as a C Corporation from that date forward.

Additional Stockholder/Officer Compensation

Additional stockholder/officer compensation represents amounts accrued or distributed in excess of aggregate annual base salaries approved by the Board of Directors and generally represents Company-related federal income tax obligations payable by the stockholders.

Fair Value of Financial Instruments

The fair value of the Company's financial instruments, consisting of accounts receivable, accounts payable and bank borrowings, approximates carrying value.

Concentration of Credit Risk

Concentrations of credit risk with respect to trade account receivables are limited due to the large number of customers comprising the Company's customer base. Ongoing credit evaluations of customer's financial condition are performed.

Stock-Based Compensation

Compensation expense associated with awards of stock or options to employees is measured using the intrinsic value method. The Company's Board of Directors estimates fair value using market valuations of comparable publicly traded companies.

Recent Pronouncements of the Financial Accounting Standards Board

Recent pronouncements of the Financial Accounting Standards Board ("FASB"), which are not required to be adopted at September 30, 1997, include the following Statements of Financial Accounting Standards ("SFAS"):

SFAS No. 128, "Earnings Per Share," which will be required to be adopted by the Company for the fiscal year ending December 31, 1997, specifies the computation, presentation, and disclosure requirements for earning per share for entities with publicly-held common stock. This new accounting standard will require presentation of basic earnings per share and diluted earnings per share. The effect of adopting this standard would be to report unaudited pro forma basic net income per share of \$0.38 and \$0.71, and unaudited pro forma diluted net income per share of \$0.36 and \$0.68, for the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

SFAS No. 129, "Disclosure of Information about Capital Structure," which will be effective for the Company for the year ending December 31, 1997, consolidates existing disclosure requirements. This new standard contains no change in disclosure requirements for the Company.

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for reporting and display of comprehensive income (all changes in equity during a period except those resulting from investments by and distributions to owners) and its components in the financial statements. This new standard, which will be effective for the Company for the year ending December 31, 1998, is not currently anticipated to have a significant impact on the Company's financial statements based on the current financial structure and operations of the Company.

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," which will be effective for the Company for the year ending December 31, 1998, establishes standards for reporting information about operating segments in the annual financial statements, selected information about operating segments in interim financial reports and disclosures about products and services, geographic areas and major customers. This new standard may require the Company to report financial information on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments, which may result in more detailed information in the notes to the Company's financial statements than is currently required and provided.

2. UNAUDITED PRO FORMA INFORMATION

The following pro forma adjustments have been made to the historical results of operations and financial position to make the presentation comparable to what would have been reported had the Company operated as a C Corporation:

- (i) Elimination of stockholder/officer compensation expense in excess of aggregate annual base salaries of \$600 to be in effect as of the closing date of the Offering.
- (ii) Computation of income tax expense assuming an effective tax rate of 39% (see Note 8) and after adjusting stockholder/officer compensation expense described in (i) above.
- (iii) Declaration of a stockholder dividend representing cumulative undistributed S Corporation earnings through September 30, 1997 (see Note 12).

Pro forma net income per share is based upon the weighted average number of common and common equivalent shares outstanding. The pro forma weighted average number of common shares outstanding assumes that all stock options granted in January 1997, February 1997 and July 1997 were outstanding for all periods presented. Common equivalent shares are not included in the per share calculations where the effect of their inclusion would be anti-dilutive, except in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 83. The Bulletin requires that all common shares issued and options to purchase shares of common stock granted by the Company during the twelve-month period prior to filing of a proposed initial public offering be included in the calculation as if they were outstanding for all periods. The pro forma weighted average number of common shares outstanding for 1996 and for the nine months ended September 30, 1997 also assumes that shares required to pay the stockholder dividend totalling approximately \$26,000 (assuming a price per share equal to the mid-point of the expected filing range of the Offering) were outstanding for all of 1996 and for the nine months ended September 30, 1997.

Pro forma supplemental net income per share of \$ 0.39 and \$0.65 for 1996 and the nine months ended September 30, 1997, respectively, assumes that the net proceeds from the Offering, after payment of the \$26,000 stockholder dividend, are used to retire debt.

## PC CONNECTION, INC.

## NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

## 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
Trade.....	\$10,334	\$16,125	\$24,889
Co-op advertising.....	3,922	3,880	3,028
Vendor returns, rebates and other.....	4,010	5,309	4,198
Total.....	18,266	25,314	32,115
Less allowances for:			
Sales returns.....	(1,250)	(2,650)	(3,800)
Doubtful accounts.....	(920)	(1,621)	(3,774)
Accounts receivable, net.....	\$16,096	\$21,043	\$24,541

Changes in the allowances for sales returns and doubtful accounts consisted of the following:

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
Beginning balance.....	\$1,410	\$ 2,144	\$ 2,170	\$ 2,170	\$ 4,271
Provision for doubtful accounts charged to expense.....	580	997	1,297	900	1,577
Provisions charged to other operating accounts (i.e., cost of sales, advertising).	929	525	1,856	605	3,448
Write-off of uncollectible accounts.....	(775)	(1,496)	(1,052)	(577)	(1,722)
Ending balance.....	\$2,144	\$ 2,170	\$ 4,271	\$ 3,098	\$ 7,574

## 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
Leasehold improvements.....	\$ 4,326	\$ 4,093	\$ 3,764
Furniture and equipment.....	15,762	18,087	20,191
Software licenses.....	1,007	1,060	1,415
Automobiles.....	271	278	175
Total.....	21,366	23,518	25,545
Less accumulated depreciation and amorti- zation.....	(14,303)	(15,847)	(17,242)
Property and equipment, net.....	\$ 7,063	\$ 7,671	\$ 8,303

## 5. BANK BORROWINGS

At September 30, 1997, the Company had a revolving credit agreement with a bank providing for short-term borrowings equal to the lesser of \$30,000 or an amount determined by a formula based on accounts receivable and inventory balances, and a term loan for \$5,000, due in quarterly installments of \$250 through March 31, 2002. Short-term borrowings were collateralized by all

accounts receivable and inventories (other than inventories pledged to secure trade credit arrangements) and bear interest at the prime rate plus 0.5% (8.5% at September 30, 1997). The term loan is collateralized by all other assets of the Company and bears interest at the prime rate plus 1.0% (9.0% at September 30, 1997). The revolving credit agreement includes various customary financial and operating covenants, including working capital requirements, debt-to-net-worth ratios, minimum net income requirements and restrictions on the payment of dividends, except for distributions in respect of income taxes, none of which, in the opinion of management, significantly restricts the Company's operations.



PC CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Certain information with respect to short-term borrowings was as follows:

	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING	AVERAGE AMOUNT OUTSTANDING
	-----	-----	-----
Year ended December 31,			
1994.....	7.9%	\$11,349	\$6,215
1995.....	10.0%	12,000	9,613
1996.....	9.0%	18,999	7,921
Nine months ended September 30,			
1996.....	9.0%	10,543	5,816
1997.....	8.6%	16,770	7,929

6. TRADE CREDIT ARRANGEMENTS

At September 30, 1997, the Company had security agreements with two financial institutions to facilitate the purchase of inventory from various suppliers under certain terms and conditions. The agreements allow a collateralized position in inventory financed by the financial institutions up to an aggregate amount of \$24,900 (with seasonal increases to \$37,350 from October 22, 1997 through January 31, 1998). The cost of such financing under these agreements is borne by the suppliers. At September 30, 1997, accounts payable included \$10,572 owed to these financial institutions.

7. STOCKHOLDERS' EQUITY

Common Stock

On March 28, 1995, the Company amended its Articles of Incorporation to change the par value of its stock to \$.01 per share. Additionally, the Company reclassified the 10,000,000 authorized shares of common stock to 7,500,000 shares of Series A Non-Voting Common Stock, par value \$.01 per share, and 2,500,000 shares of Series B Voting Common Stock, par value \$.01 per share, with one vote per share.

1993 Incentive and Non-Statutory Stock Option Plan

In December 1993, the Board of Directors adopted and the stockholders approved the 1993 Incentive and Non-Statutory Stock Option Plan (the "Plan"). Under the terms of the Plan, the Company is authorized to make awards of restricted stock and to grant incentive and non-statutory options to employees of, and consultants and advisors to, the Company to purchase shares of the Company's common stock. A total of 1,450,000 shares of the Company's common stock may be issued upon exercise of options granted or awards made under the Plan. Options vest over varying periods up to four years and are restricted as to exercise except upon the occurrence of certain events, including an initial public offering of the Company's common stock (see Note 12). All restrictions on options expire no more than seven years from the date of grant.

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, compensation expense for options awarded under the Plan in 1994, 1995, 1996, and the nine months ended September 30, 1996 and 1997, has been recognized using the intrinsic value method. The effect of recording compensation expense under the provisions of SFAS No. 123 would have had no effect on unaudited pro forma net income per share in any of the periods presented.

PC CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Information regarding the Plan is as follows:

	OPTION SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE FAIR VALUE
	-----	-----	-----
Outstanding, January 1, 1994.....	--		
Granted.....	560,000	\$2.86	\$5.62
	-----		
Outstanding, December 31, 1994.....	560,000	2.86	
Granted.....	240,000	3.98	2.38
Forfeited.....	(300,000)	3.17	
	-----		
Outstanding, December 31, 1995.....	500,000	3.21	
Granted.....	90,000	1.89	3.76
Forfeited.....	(140,000)	4.71	
	-----		
Outstanding, December 31, 1996.....	450,000	2.48	
Granted.....	349,000	5.05	3.35
	-----		
Outstanding, September 30, 1997.....	799,000	3.60	
	=====		

At September 30, 1997, no options were exercisable under the Plan. The following table summarizes the status of outstanding stock options as of September 30, 1997:

EXERCISE PRICE	OPTIONS OUTSTANDING	WEIGHTED- AVERAGE REMAINING LIFE (YEARS)
-----	-----	-----
\$1.00	427,500	6.8
\$5.00	135,000	9.2
\$7.50	236,500	9.1

The fair value of options at the date of grant was estimated using the minimum value method. Risk-free interest rates and expected lives of option grants used in applying this pricing model were 6% and seven years, respectively, in 1994, 1995, 1996 and the nine months ended September 30, 1997.

The minimum value pricing method was designed to value readily tradable stock options with relatively short lives. The options granted to employees are not tradable and have contractual lives of up to ten years. Management believes that the assumptions used and the model applied to value the awards yields a reasonable estimate of the fair value of the grants made under the circumstances, given the alternatives available under SFAS No. 123.

Aggregate compensation expense, related to options granted at exercise prices less than fair value on the dates of grant, is being charged to expense ratably over seven years from the dates of grant (see Note 12). Compensation expense charged to operations totaled \$325, \$98, \$230, \$162, and \$785 in 1994, 1995, 1996, and the nine months ended September 30, 1996 and 1997, respectively (net of expense reversals related to forfeitures by terminated employees aggregating \$139 and \$49 in 1995 and 1996, respectively).

8. INCOME TAXES

The provision (benefit) for income taxes was (\$124), \$38 and \$252 for the years ended December 31, 1994, 1995 and 1996, respectively, and \$134 and \$429 for the nine months ended September 30, 1996 and 1997, respectively. These provisions are based on the state income tax obligations of the Company as an S Corporation. Certain items of income are recognized in different years for financial reporting and income tax purposes, and the Company has recorded deferred tax assets for the state income tax effect of these differences. Deferred tax assets were \$269, \$221 and \$274 at December 31, 1995 and 1996 and September 30, 1997, respectively, and were included in prepaid expenses and other current assets.



PC CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Effective with the closing of the Company's proposed initial public offering (see Note 12), the Company's S Corporation election will automatically be terminated and the Company will then record the provision for income taxes as a C Corporation. The provision (benefit) for income taxes on a pro forma basis consisted of the following:

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1997
Currently payable:		
Federal.....	\$2,988	\$5,360
State.....	349	625
	-----	-----
	3,337	5,985
	-----	-----
Deferred:		
Federal.....	(842)	(1,372)
State.....	(98)	(159)
	-----	-----
	(940)	(1,531)
	-----	-----
	\$2,397	\$4,454
	=====	=====

The components of the pro forma net deferred tax asset are as follows:

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
Provisions for bad debts.....	\$ 632	\$1,472
Inventory costs capitalized for tax purposes.....	371	503
Inventory reserve.....	471	879
Accumulated depreciation.....	379	618
Compensation under non-statutory stock option agreements.....	255	561
Deductible expenses, primarily employee-benefit related.....	369	466
Additional stockholder/officer compensation.....	491	--
	-----	-----
Deferred tax asset--net.....	\$2,968	\$4,499
	=====	=====

The reconciliation of the Company's pro forma income tax provision to the statutory federal tax rate is as follows:

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1997
Statutory tax rate.....	35.0%	35.0%
State income taxes, net of federal benefit.....	2.6	2.6
Nondeductible expenses.....	0.2	0.2
Other--net.....	1.2	1.2
	-----	-----
Effective income tax rate.....	39.0%	39.0%
	=====	=====

As of September 30, 1997, the Company had no net operating loss carry forwards or other tax benefits available to offset future taxable income.

PC CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

9. EMPLOYEE BENEFIT PLANS

The Company has a contributory profit-sharing plan covering all qualified employees. No contributions to the profit-sharing plan were made in 1994, 1995, 1996, or the nine months ended September 30, 1997 by the Company. The Company made matching contributions to an employee savings plan of approximately \$103, \$102, \$177, \$143, and \$148 in 1994, 1995, 1996, and the nine months ended September 30, 1996 and 1997, respectively.

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases certain office facilities from its principal stockholders under 20-year noncancelable operating leases. The lease agreement for one facility requires the Company to pay all real estate taxes and insurance premiums related thereto. The Company also leases several other buildings from the its principal stockholders on a month-to-month basis.

In addition, the Company leases office and warehouse facilities from unrelated parties with remaining terms of one to four years.

Future aggregate minimum annual lease payments under these leases at September 30, 1997 are as follows:

YEAR ENDING DECEMBER 31 -----	RELATED PARTIES	OTHERS	TOTAL -----
1997 (3 months).....	\$ 63	\$ 264	\$ 327
1998.....	251	774	1,025
1999.....	251	447	698
2000.....	251	447	698
2001.....	251	--	251
2002 and thereafter.....	1,238	--	1,238
	-----	-----	-----
	\$2,305	\$1,932	\$4,237
	=====	=====	=====

Total rent expense aggregated \$852, \$1,072, \$1,057, \$889, and \$1,029 for the years ended December 31, 1994, 1995, 1996, and the nine months ended September 30, 1996 and 1997, respectively, under the terms of the leases described above. Such amounts included \$341, \$298, \$111 (net of a \$200 lease termination payment received), \$231 and \$227 in 1994, 1995, 1996, and the nine months ended September 30, 1996 and 1997, respectively, paid to related parties.

Contingencies

The Company is 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 will not have a material effect on the Company's financial position, results of operations and cash flows.

11. OTHER RELATED-PARTY TRANSACTIONS

Other related-party transactions include the transactions summarized below. Related parties consist primarily of affiliated companies related to the Company through common ownership.

PC CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
Revenue:					
Provision of management and other services to various affiliated companies.....	\$49	\$78	\$--	\$ --	\$ --
Sales of various products.....	39	48	37	25	9
Rental of property and equipment to affiliated company.....	186	--	--	--	--
Sales of property and equipment:					
Net book value.....	(77)	(30)	--	--	(14)
Proceeds.....	102	33	19	--	1
Costs:					
Purchase of services from affiliated companies.....	278	80	763	377	1,163
Interest paid to stockholders.....	74	4	--	--	--

During 1994, the Company transferred to its stockholders certain patents, patent application rights and related proprietary materials related to certain technologies then under development by the Company. The carrying value of these assets at the time of transfer was nil as all related costs had been expensed as incurred. Research and development costs related to these activities and expensed by the Company during the year ended December 31, 1994, aggregated approximately \$1,065. All development activities related to these technologies were assumed, effective January 1, 1995, by a new affiliate organized by the Company's stockholders. The Company did not incur any research and development costs during the years ended December 31, 1995 and 1996 and the nine months ended September 30, 1996 and 1997.

12. SUBSEQUENT EVENTS (UNAUDITED)

Initial Public Offering

The Company is pursuing an initial public offering of its common stock. The Company plans to use a portion of the net proceeds of the Offering to repay certain of the Company's bank borrowings under its revolving credit agreement and term note payable (Note 5) and to make a distribution to current stockholders in an amount equal to the Company's cumulative undistributed tax basis S Corporation retained earnings at the closing date of the Offering. Had the closing date of the Offering occurred on September 30, 1997, the dividend payable to the stockholders would have been approximately \$26,000. Such dividend payable has been reflected in the pro forma balance sheet as of September 30, 1997.

Amendment of Revolving Credit Agreement

As of November 19, 1997, the Company and its banks amended its revolving credit agreement to increase the maximum level of borrowings under the agreement from \$30,000 to \$45,000 and to reduce the interest rate on borrowings under both loans to the prime rate.

Operating Lease Commitment

In November 1997, the Company entered into a fifteen-year operating lease for a new corporate headquarters with an affiliated company related to the Company through common ownership. The Company expects to occupy the facility in the Summer of 1998, and the lease will be effective upon the date of occupancy. Annual rent expense under the terms of the lease will be approximately \$720.

Recapitalization of the Company

The Company expects to amend and restate its Articles of Incorporation immediately prior to the consummation of the Offering. Pursuant to this amendment, the Company will convert all of the issued and outstanding shares of Series A Non-Voting Common Stock, \$.01 par value per share, and Series B Voting Common Stock, \$.01 par value per share into shares of a single series of voting Common Stock, \$.01 par value.

Compensation Under Non-Statutory Stock Option Agreements

Upon consummation of the Offering, certain restrictions as to the exercise of options granted under the Company's 1993 Incentive and Non-Statutory Stock Option Plan will expire. The Company is currently recording compensation expense for certain options granted at prices less than their fair value ratably over seven years from the dates granted, since such options are not exercisable except upon occurrence of certain events (see Note 7). Effective with the consummation of the Offering, the Company will record an additional one-time charge for stock-option compensation expense of approximately \$665, representing the cumulative effect of recording compensation expense relating to these options over their vesting periods.

Termination of S Corporation Election

Effective with the consummation of the Offering, the Company's S Corporation election will automatically terminate and the Company expects to record a credit to its income tax provision of approximately \$2,500.

1997 Employee Stock Purchase Plan

On November 21, 1997, the Board of Directors adopted and the stockholders approved the 1997 Employee Stock Purchase Plan ("the Purchase Plan"), which becomes effective on the closing of the Offering. The Purchase Plan authorizes the issuance of Common Stock to participating employees. Under the terms of the Purchase Plan, the option price is an amount equal to 85% of the fair market value per share of the Common Stock on either the first day or the last day of the offering period, whichever is lower.

1997 Stock Incentive Plan

On November 21, 1997, the Board of Directors adopted and the stockholders approved the 1997 Stock Incentive Plan, providing for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, performance shares and awards of restricted stock and unrestricted stock.

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NO DEALER, SALES PERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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UNTIL , 1998 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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SHARES

PC CONNECTION, INC.

COMMON STOCK

DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

NATIONSBANC MONTGOMERY  
SECURITIES, INC.

WILLIAM BLAIR & COMPANY

, 1998





PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than the underwriting discount, payable by the Registrant in connection with the sale of Common Stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee.

	AMOUNT TO BE PAID
SEC registration fee.....	\$17,425
NASD filing fee.....	\$ 6,250
Nasdaq National Market Listing Fee.....	\$ *
Blue Sky fees and expenses.....	\$ *
Printing and engraving expenses.....	\$ *
Legal fees and expenses.....	\$ *
Accounting fees and expenses.....	\$ *
Transfer agent and registrar fees.....	\$ *
Miscellaneous expenses.....	\$ *
	-----
Total.....	\$ =====

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\* To be filed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article ELEVENTH of the Registrant's Amended and Restated Articles of Incorporation (the "Restated Articles") provides that no director or officer of the Registrant shall be personally liable to the Registrant or its stockholders for monetary damages for any action taken, or any failure to take any action, as a director or an officer, except with respect to: (a) the amount of a financial benefit received by the director or officer to which he is not entitled; (b) an intentional infliction of harm on the Registrant or its stockholders; (c) a violation of New Hampshire Revised Statutes Annotated ("RSA") 293-A:8.33 (providing for liability for the approval of payment of certain unlawful dividends to stockholders); or (d) an intentional violation of criminal law.

RSA 293-A:8.51 and 8.56 empower a corporation, subject to certain limitations, to indemnify its directors and officers against expenses (including attorney's fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by them in connection with any civil or criminal suit or proceeding (other than a derivative action) to which they are parties or threatened to be made parties by reason of being directors or officers, if they acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation (and with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful). The power to indemnify in connection with an action or suit by or in the right of the corporation (a derivative action) is more limited. Indemnification against expenses actually and reasonably incurred is required if a director or officer is wholly successful in defense of an action, suit or proceeding of the type where indemnity is permitted by the statute. Unless ordered by a court, indemnification under the statute, other than mandatory indemnification against expenses, may be made only if a determination that indemnification is proper has been made by a prescribed vote of the board of directors, special legal counsel in certain cases, by the stockholders or by the prescribed vote of a committee duly designated by the board of directors, in certain cases. Indemnification provided for by RSA 293-A:8.50-8.58 is not exclusive and a corporation is empowered to maintain insurance on behalf of its directors and officers against any liability asserted against them in that capacity, whether or not the corporation would have the power under the RSA to indemnify them.

Article TWELFTH of the Restated Articles provides that the Registrant shall indemnify any director or officer to the fullest extent permitted by RSA 293-A:8.50-8.58. The Company maintains insurance on behalf of its directors and officers against liability asserted against them in that capacity.

Under Section of the Underwriting Agreement, the Underwriters are obligated, under certain circumstances, to indemnify the directors and officers of the Registrant against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). Reference is made to the form of Underwriting Agreement filed as Exhibit 1.1 hereto.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Not applicable.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

- \*1.1 Form of Underwriting Agreement.
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- \*11.1 Statement regarding weighted average share computation.
- 23.1 Consent of Deloitte & Touche LLP.
- \*23.2 Consent of Hale and Dorr LLP (included in Exhibit 5.1).
- 24.1 Power of Attorney (see page II-4).
- 27.1 Financial Data Schedule

- -----  
 \* To be filed by amendment.

+ Confidential materials omitted and filed separately with the Securities and Exchange Commission.

(b) Financial Statement Schedules

Not applicable.

Schedules not listed have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions contained in the Restated Articles of Incorporation or the RSA or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

The Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of a Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant, PC Connection, Inc., a corporation organized and existing under the laws of the State of New Hampshire, has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Milford, State of New Hampshire, on this 26th day of November, 1997.

PC Connection, Inc.

/s/ Patricia Gallup

By \_\_\_\_\_  
 Patricia Gallup  
 Chairman of the Board, President  
 and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Patricia Gallup, Wayne L. Wilson and Paul P. Brontas, and each of them, their true and lawful attorneys and agents, with full power of substitution, each with power to act alone, to sign and execute on behalf of the undersigned any amendment or amendments to this Registration Statement on Form S-1 and to perform any acts necessary in order to file such amendments, and each of the undersigned does hereby ratify and confirm all that said attorneys and agents, or their or his or her substitutes, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
<p>/s/ Patricia Gallup</p> <p>_____</p> <p>Patricia Gallup</p>	<p>Chairman of the Board,                      President and Chief                      Executive Officer                      (principal executive                      officer)</p>	<p>November 26,                      1997</p>
<p>/s/ Wayne L. Wilson</p> <p>_____</p> <p>Wayne L. Wilson</p>	<p>Senior Vice President,                      Chief Operating Officer                      and Chief Financial                      Officer (principal                      financial and accounting                      officer)</p>	<p>November 26,                      1997</p>
<p>/s/ David Hall</p> <p>_____</p> <p>David Hall</p>	<p>Vice Chairman of the Board</p>	<p>November 26,                      1997</p>
<p>/s/ David Beffa-Negrini</p> <p>_____</p> <p>David Beffa-Negrini</p>	<p>Director</p>	<p>November 26,                      1997</p>
<p>/s/ Martin C. Murrer</p> <p>_____</p> <p>Martin C. Murrer</p>	<p>Director</p>	<p>November 26,                      1997</p>
<p>/s/ Peter J. Baxter</p> <p>_____</p> <p>Peter J. Baxter</p>	<p>Director</p>	<p>November 26,                      1997</p>

## EXHIBIT INDEX

EXHIBITS

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- 
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  - + Confidential materials omitted and filed separately with the Securities and Exchange Commission.

STATE OF NEW HAMPSHIRE

Filing fee: \$35.00  
Use black print or type.  
Leave 1" margins both sides.

Form No. 16-A  
RSA 293-A:10.07

RESTATED  
ARTICLES OF INCORPORATION  
INCLUDING DESIGNATED AMENDMENT(S)

PURSUANT TO THE PROVISIONS OF THE NEW HAMPSHIRE BUSINESS CORPORATION ACT, THE UNDERSIGNED CORPORATION, PURSUANT TO A RESOLUTION DULY ADOPTED BY ITS BOARD OF DIRECTORS, HEREBY ADOPTS THE FOLLOWING RESTATED ARTICLES OF INCORPORATION, INCLUDING DESIGNATED AMENDMENT(S):

(Here insert the Restated Articles of Incorporation, as amended including the Designated Amendments.)

FIRST: The name of the corporation is PC Connection, Inc.

SECOND: The period of its duration is perpetual.

THIRD: The principal purposes for which the corporation is organized are the manufacture, purchase, sale, and service of computer hardware and software and all other business not forbidden by law.

FOURTH: The total number of shares of all classes of capital stock that the corporation shall have the authority to issue shall be 10 million (10,000,000) shares of common stock, consisting of 7.5 million (7,500,000) shares of Series A Non-Voting Common Stock, par value \$.01 per share (the "Series A Stock") and 2.5 million (2,500,000) shares of Series B Voting Common Stock, par value \$.01 per share (the "Series B Stock"), amounting to an aggregate par value of \$100,000.

The powers, preferences and rights, and the qualifications, limitations or restrictions thereof, in respect of each class shall be identical with the exception of the following:

(a) Holders of Series A Stock shall not be entitled to vote on any matter presented for shareholder vote except as required by the New Hampshire Business Corporation Act.

(b) Holders of Series B Stock shall have one vote per share of Series B Stock held by them.

FIFTH: The capital stock will be sold or offered for sale within the meaning of New Hampshire RSA 421-B.

SIXTH: There is no limitation or denial of preemptive rights.

SEVENTH: Provision for the regulation of the internal affairs of the corporation are: Bylaws adopted by the Board of Directors pursuant to RSA 293-A:2.06.

EIGHTH: The address of the initial registered office of the corporation is P.O. Box 666, 50 Washington Street, Keene, New Hampshire, and the name of its initial registered agent at such address is Rand S. Burnett.

NINTH: The number of directors constituting the initial board of directors of the corporation is two and the names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors are elected and shall qualify are:

Name	Address
- - - - -	- - - - -
David M. Hall	Route 10, Gilsum, NH 03448
Patricia Gallup	Route 10, Gilsum, NH 03448

TENTH: The name and address of each incorporator is:

Name	Address
- - - - -	- - - - -
David M. Hall	Route 10, Gilsum, NH 03448
Patricia Gallup	Route 10, Gilsum, NH 03448

ELEVENTH: To the maximum extent permitted by law, the directors and officers of the corporation shall not be held personally liable to the corporation or its shareholders for monetary damages for any action taken, or any failure to take any action, as a director or an officer, except with respect to (a) the amount of a financial benefit received by the director or officer to which he is not entitled, (b) an intentional infliction of harm on the corporation or the shareholders, (c) a violation of RSA 293-A:8.33, or (d) an intentional violation of criminal law.



TWELFTH: The following matters shall require an affirmative vote of two-thirds of the shares of Series B Stock then issued and outstanding, in addition to whatever action must be taken by the directors of the corporation under relevant provisions of the New Hampshire Business Corporation Act:

- (a) dissolution, liquidation or winding up of the corporation;
- (b) authorization or issuance of stock, options or other securities, including without limitation, options or securities exercisable or convertible into capital stock;
- (c) amendment of the Articles of Incorporation or Bylaws;
- (d) declarations of dividends and redemptions of capital stock, except as provided in relevant provisions of a certain Shareholders Agreement dated March 28, 1995;
- (e) sale or other disposition of the assets of the corporation other than in the regular course of business; and
- (f) merger into or share exchange with another corporation.

If the amendment(s) provides for an exchange, reclassification, or cancellation of issued shares, the provisions for implementing the amendment if not contained in the amendment(s) are:

Immediately upon the effectiveness of Article FOURTH (the "Article") each share of common stock, no par value per share, of the corporation issued and outstanding before the effectiveness of the Article automatically will be reclassified as and changed into one share of Series A Stock par value \$.01 per share, of the corporation. Simultaneously with the effectiveness of the Article, 2,250,000 shares of Series A Stock, par value \$.01 per share, of the corporation will be exchanged for an equal number of shares of Series B Stock par value \$.01 per share, of the corporation.

Except for the Designated Amendment(s) to Articles(s) (Note 1) THIRD, FOURTH, FIFTH, SIXTH, SEVENTH and TWELFTH, the Restated Articles of Incorporation correctly set forth without change the corresponding provisions of the Articles of Incorporation as previously amended, and the Restated Articles of Incorporation together with the Amendment(s) designated herein supersede the original Articles of Incorporation and all amendments to the Articles.

FIRST: (Check one)

\_\_\_\_\_ The restated articles contain amendment(s) adopted by the board of directors and did not require shareholder approval.

X  
 ----- The restated articles contain amendment(s) which require shareholder approval.

SECOND: The amendment(s) were adopted on (date) 3/28/95  
 -----

THIRD: The amendment(s) were approved by the shareholders. (Note 2)

Designation (class or series) of voting group -----	Number of shares outstanding -----	Number of votes entitled to be cast -----	Number of votes indisputably represented at the meeting -----
Common Stock	9,000,000	9,000,000	9,000,000

Designation (class or series) of voting group -----	Total number of votes cast: FOR ---	OR --	Total number of un- disputed votes cast FOR -----
Common Stock			9,000,000

FOURTH: The number cast for the amendment(s) by each voting group was sufficient for approval.

Dated 3/28/95 , 1995  
 -----

PC Connection, Inc. (Note 3)  
 -----

By: /s/ Patricia Gallup (Note 4)  
 -----  
 Signature of its CEO

Patricia Gallup  
 -----  
 Print or type name

- Notes:
1. Here insert Restated Article NUMBERS(S) which are being  
-----  
amended at this time.
  2. All sections under "THIRD" must be completed. If any voting  
group is entitled to vote separately, give respective  
-----  
information for each voting group, (See RSA 293-A: 1.40 for  
definition of voting group.)
  3. Exact corporate name of corporation adopting the restated  
articles of incorporation.
  4. Signature and title of person signing for the corporation.  
Must be signed by the chairman of the board of directors,  
president or another officer; or see RSA 293-A: 1.20(f) for  
alternative signatures.

Mail fee and ORIGINAL and ONE EXACT OR CONFORMED COPY to: Secretary of State,  
-----  
State House, Room 204, 107 North Main Street, Concord, NH 03301-4989

BY-LAWS  
OF  
PC CONNECTION, INC.

ARTICLE I.  
SHAREHOLDERS' MEETINGS

TIME AND PLACE: Meetings of shareholders may be held at a place within or without the State of New Hampshire as determined by the Board of Directors and stated in the notice of the meeting. Unless otherwise determined by the Board of Directors and stated in the notice of the meeting, meetings shall be held at the registered office of the corporation.

An annual meeting of the shareholders shall be held on the first Monday of March.

Special meetings of the shareholders may be called by the Board of Directors, the holders of not less than 1/10 of all of the shares entitled to vote at the meeting, the President, or the Secretary. No business shall be in order at a special meeting except as shall have been indicated in the notice of such meeting.

In the event that the annual meeting, by mistake or otherwise, shall not be called and held as herein provided, the President or the Board of Directors may order a special meeting to be called and held in lieu of and for the purposes of the annual meeting. Any election or business transacted at such substitute annual meeting shall be as valid and effectual as if done at a meeting called as an annual meeting and duly held on the prescribed date.

NOTICES: Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 50 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock transfer books of the corporation, with postage prepaid.

WAIVER OF NOTICE: Whenever any notice is required to be given to any shareholder or Director, a waiver of the notice in writing signed by the person or persons entitled to the notice, whether before or after the time stated in the notice, shall be equivalent to giving the notice.

QUORUM: A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders, but in no event shall a quorum consist of less than 1/3 of the shares entitled to vote at the meeting. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by law.

PROXIES: A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall

be valid after 11 months from the date of its execution, unless otherwise provided in the proxy.

VOTING: Each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders, unless otherwise provided in the articles of incorporation. The term "vote" shall include, without limitation, votes, waivers, releases, consents, writings signed by shareholders in lieu of taking action at a meeting of shareholders, and objections or dissents to such action.

ACTION BY SHAREHOLDERS WITHOUT A MEETING: Any action to be taken at a meeting of shareholders may be taken without a meeting if a consent in writing, which may be contained in a single document or may be contained in more than one document so long as the documents in the aggregate contain the required signatures, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter. The consent shall have the same effect as a unanimous vote of shareholders, and may be stated as such in any articles or document filed with the Secretary of State.

ARTICLE II.  
DIRECTORS

All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of the

Board of Directors. Directors need not be residents of the State of New Hampshire nor shareholders of the corporation.

The Board of Directors shall have authority to fix the compensation of all officers and Directors of the corporation.

NUMBER AND ELECTION OF DIRECTORS: Initially the Board of Directors shall consist of the number fixed by the articles of incorporation, but the number of Directors may be increased or decreased from time to time by vote of the shareholders. The first Board of Directors shall be elected by the incorporator(s) and the names and addresses of the members of the Board of Directors stated in the articles of incorporation. At the first annual meeting of shareholders and at each annual meeting thereafter, the shareholders shall elect Directors to hold office until the next succeeding annual meeting. Each Director shall hold office for the term for which he is elected and until his successor shall have been elected and qualified.

At each election for Directors, every shareholder entitled to vote at the election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are Directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of the Directors multiplied by the number of his shares shall equal, or by distributing his votes on the same principle among any number of candidates.

Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the

Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

REMOVAL: At a meeting of shareholders called expressly for that purpose, Directors may be removed as provided in RSA 293-A:39. Any Director or the entire Board of Directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of Directors.

ARTICLE III.  
DIRECTORS' MEETINGS

Meetings of the Board of Directors, regular or special, may be held either within or without the State of New Hampshire.

The Board of Directors may establish a time and place for regular meetings which may be held without notice. Special meetings of the Board of Directors may be held at anytime and place upon 24 hours' written notice given by any Director or the President or the Secretary. Attendance of a Director at a meeting shall constitute a waiver of notice of the meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting has not been lawfully called or convened. The purpose of any regular or special meeting of the Board of Directors need not be specified in the notice of the meeting.

A Director who is present at a meeting of the Board of Directors shall be presumed to have assented to any action taken unless his dissent is entered in the minutes of the meeting, or he files his written dissent to the action with the Secretary



of the meeting before the adjournment of the meeting, or forwards his dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting.

QUORUM OF DIRECTORS: A majority of the number of Directors shall constitute a quorum for the transaction of business. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ACTION WITHOUT A MEETING: Any action required by law to be taken at a meeting of the Directors may be taken without a meeting if a consent in writing shall be signed by all of the Directors. Such consent shall have the same effect as a unanimous vote.

ARTICLE IV.  
OFFICERS

The officers of the corporation shall consist of a President, a Secretary who shall be the resident agent, and a Treasurer, each of whom shall be elected by majority vote of the Board of Directors at the organizational meeting of the Directors. The Board of Directors may elect or appoint such other officers and assistant officers and agents as the Directors see fit. Any two or more offices may be held by the same person.

Officers and Directors shall not be elected for any definite term but shall serve at the pleasure of the Board of Directors, subject to be removed at any time without cause.

All officers and agents of the corporation shall have the authority and perform the duties in the management of the corporation as prescribed in these by-laws, and such additional duties as may be determined by resolution of the Board of Directors not inconsistent with these by-laws.

REMOVAL OF OFFICERS: Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the corporation will be served by such action. Removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights in any officer or agent.

ARTICLE V.  
PRESIDENT

The President, when present, shall preside at all meetings of the shareholders and of the Directors. He shall exercise general supervision of the corporation's affairs, and perform all the duties of his office prescribed by law or by vote of the Directors.

ARTICLE VI.  
VICE PRESIDENT

The Vice President, if any, shall have and exercise the rights and powers, and shall perform the duties usually incident to the office of Vice President and in the absence or disability of the President, shall have and exercise the rights and powers and perform the duties usually incident to the office of President.

ARTICLE VII.  
TREASURER

The Treasurer shall give a bond for the faithful discharge of his duties if and when required by the Directors. He shall deposit all funds of the company in such depositories as may be selected by the Board of Directors, pay all its bills and collect all moneys due to the company. He shall keep or cause to be kept full and accurate books of account containing a record of all purchases and sales, of all money received and paid out for the corporation, which books and accounts shall be constantly open to the inspection of each officer and Director of the corporation, and shall render to the Board of Directors at least once in each year a trial balance showing the assets and liabilities of the corporation; and in general shall perform all the duties incident to the office of a Treasurer of a corporation, and such other duties as may be assigned to him by the Board of Directors.

ARTICLE VIII.  
ASSISTANT TREASURER

The Assistant Treasurer, if any, shall at all times assist the Treasurer in the performance of his duties, and shall perform such duties of the Treasurer as shall be

assigned to him from time to time by the Treasurer. In the absence or inability of the Treasurer to act, the Assistant Treasurer shall perform all of the duties and may exercise any of the powers of the Treasurer, subject to the control of the Board of Directors.

ARTICLE IX.  
SECRETARY

The Secretary shall be a resident of the State of New Hampshire. He shall have charge of the corporate seal of the corporation, shall attend all meetings of the shareholders and Directors and shall keep full, and true and accurate records of all business transacted at such meetings, and shall discharge all other duties properly appertaining to his office and which may be attached thereto by the Board of Directors. He shall have the custody of the record books of the corporation. He shall give notice of meetings of the shareholders and Board of Directors in the manner prescribed by these by-laws. The Secretary shall be duly sworn to the faithful and impartial discharge of his duties. In the absence, incapacity or inability of the Secretary, the Board of Directors may appoint a Secretary, pro tem. to act with the same powers, duties and

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authority.

ARTICLE X.  
CERTIFICATES OF STOCK

The shares of the corporation shall be represented by certificates, the design of which shall be chosen by the Board of Directors. Certificates shall be signed by the

President and the Secretary and shall be sealed with the seal of the corporation or a facsimile of the seal. The signatures of the President or Secretary upon a certificate may be a facsimile. In case any officer whose facsimile signature has been placed upon certificates of the corporation shall have ceased to be an officer before the certificate is issued, the certificate may be issued by the corporation with the same effect as if he were the officer at the date of its issue.

Each certificate representing shares in this corporation shall state upon its face (a) that the corporation is organized under the laws of the State of New Hampshire; (b) the name of the person or persons to whom the certificate is issued; (c) the number and class of shares, and the designation of the series, if any, which the certificate represents; and restrictions, if any, affecting the transfer of the certificate.

Certificates may be transferred by assignment thereof in writing, accompanied by delivery of the certificate; but no such transfer of shares in the corporation shall affect the right of the corporation to pay any dividend thereon until the transfer has been recorded upon the books of the corporation or a new certificate has been issued to the person to whom the shares have been transferred. The Secretary of the corporation shall act as transfer agent.

In case of the loss of a certificate, a duplicate certificate may be issued to the holder of record on such reasonable terms as the Board of Directors may prescribe.

ARTICLE XI.  
AMENDMENT

The power to alter, amend or repeal these by-laws or to adopt new by-laws, is vested in the Board of Directors; subject, however, to repeal or change by action of a majority of the shareholders at any annual meeting without previous notice or at any special meeting provided the notice of the special meeting states the substance of the proposed amendment.

## PC CONNECTION, INC.

1993 Incentive and Non-Statutory Stock Option Plan  
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## SECTION 1. PURPOSE

This 1993 Incentive and Non-Statutory Stock Option Plan (the "Plan") is intended as a performance incentive for officers and employees of PC Connection, Inc., a New Hampshire corporation (the "Company"), or its Subsidiaries, (as hereinafter defined) and for certain other individuals providing services to or acting as directors of the Company or its Subsidiaries, to enable the persons to whom options are granted (an "Optionee" or "Optionees") to acquire or increase a proprietary interest in the Company and its success. The Company intends that this purpose will be effected by the granting of incentive stock options ("Incentive Options") as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and other stock options ("Non-Statutory Options") under the Plan. The term "Subsidiaries" means any corporations in which stock possessing 50% or more of the total combined voting power of all classes of stock of such corporation or corporations is owned directly or indirectly by the Company.

## SECTION 2. OPTIONS TO BE GRANTED AND ADMINISTRATION

2.1 Options to be Granted. Options granted under the Plan may be either  
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Incentive Options or Non-Statutory Options.

2.2 Administration by the Board. This Plan shall be administered by the  
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Board of Directors of the Company (the "Board"). The Board shall have full and final authority to operate, manage and administer the Plan on behalf of the Company. This authority includes but is not limited to: (i) the power to grant options conditionally or unconditionally; (ii) the power to prescribe the form or forms of the instruments evidencing options granted under this Plan; (iii) the power to interpret the Plan; (iv) the power to provide regulations for the operation of the incentive features of the Plan, and otherwise to prescribe regulations for interpretation, management and administration of the Plan; (v) the power to delegate responsibility for Plan operation, management and administration on such terms, consistent with the Plan, as the Board may establish; (vi) the power to delegate to other persons the responsibility for performing ministerial acts in furtherance of the Plans purpose; (vii) the power to make, in its sole discretion, changes to any outstanding option granted under the Plan, including the power to reduce the exercise price, to accelerate the vesting schedule, or to extend the expiration date; and (viii) the power to engage the services of persons or organizations in furtherance of the Plan's purpose, including but not limited to banks, insurance companies, brokerage firms and consultants.

In addition, as to each option, the Board shall have full and final authority in its sole discretion: (i) to determine the number of shares subject to each option; (ii) to determine the time or times at which options will be granted; (iii) to determine the option price for the shares subject to each option, which price shall be subject to the applicable requirements, if any, of Section 5.1(c) hereof; (iv) to determine the time or times when each option shall become exercisable and the duration of the exercise period, which shall not exceed the limitations specified in Section 5.1(a).

2.3 Appointment and Proceedings of Committee. The Board may appoint a

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Stock Option Committee (the "Committee") which shall consist of at least two members of the Board. The Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, and may fill vacancies, however caused, in the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum, and all actions of the Committee shall require the affirmative vote of a majority of its members. Any action may be taken by a written instrument signed by all of the members, and any action so taken shall be as fully effective as if it had been taken by a vote of a majority of the members at a meeting duly called and held.

2.4 Powers of Committee. Subject to the provisions of this Plan and the

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approval of the Board, the Committee shall have the power to make recommendations to the Board as to whom options should be granted, the number of shares to be covered by each option, the time or times of option grants, and the terms and conditions of each option. In addition, the Committee shall have authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, and to exercise the administrative and ministerial powers of the Board with regard to aspects of the Plan other than the granting of options. The interpretation and construction by the Committee of any provisions of the Plan or of any option granted hereunder and the exercise of any power delegated to it hereunder shall be final, unless otherwise determined by the Board. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted hereunder.

SECTION 3. STOCK

3.1 Shares Subject to Plan. The stock subject to the options granted

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under the Plan shall be shares of the Company's authorized but unissued common stock, no par value ("Common Stock"). The total number of shares that may be issued pursuant to options granted under the Plan shall not exceed an aggregate of 400,000 shares of Common Stock. Such number of shares shall be subject to adjustment as provided in Section 7 hereof.



3.2 Lapsed or Unexercised Options. Whenever any outstanding option under

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the Plan expires, is canceled or is otherwise terminated (other than by exercise), the shares of Common Stock allocable to the unexercised portion of such option shall be restored to the Plan and shall again become available for the grant of other options under the Plan.

SECTION 4. ELIGIBILITY

4.1 Eligible Optionees. Incentive Options may be granted only to officers

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and other employees of the Company or its Subsidiaries, including members of the Board who are also employees of the Company or a Subsidiary. Non-Statutory Options may be granted to officers or other employees of the Company or its Subsidiaries, to members of the Board or the board of directors of any Subsidiary whether or not employees of the Company or such Subsidiary, and to certain other individuals providing services to the Company or its Subsidiaries.

4.2 Limitations on 10% Stockholders. No Incentive Option shall be granted

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to an individual who, at the time the Incentive Option is granted, owns (including ownership attributed pursuant to Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any parent or Subsidiary of the Company (a "greater-than-10% stockholder"), unless such Incentive Option provides that (i) the purchase price per share shall not be less than 110% of the fair market value of the Common Stock at the time such Incentive Option is granted, and (ii) that such Incentive Option shall not be exercisable to any extent after the expiration of five years from the date on which it is granted.

4.3 Limitation on Exercisable Options. The aggregate fair market value

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(determined at the time the Incentive Option is granted) of the Common Stock with respect to which Incentive Options are exercisable for the first time by any person during any calendar year under the Plan and under any other option plan of the Company (or a parent or subsidiary as defined in Section 424 of the Code) shall not exceed \$100,000. Any option granted in excess of the foregoing limitation shall be specifically designated as being a Non-Statutory Option.

SECTION 5. TERMS OF THE OPTION AGREEMENTS

5.1 Mandatory Terms. Each option agreement shall contain such provisions

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as the Board or the Committee shall from time to time deem appropriate. Option agreements need not be identical, but each option agreement by appropriate language shall include the substance of all of the following provisions:

(a) Expiration. Notwithstanding any other provision of the Plan or of

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any option agreement, each option shall expire on the date specified in the option agreement, which date shall not be later than the tenth anniversary of the date on

which the option was granted (fifth anniversary in the case of an Incentive Option granted to a greater-than-10% stockholder).

(b) Exercise. Each option shall be exercisable in full or in installments

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(which need not be equal) and at such times as designated by the Board or the Committee. To the extent not exercised, installments shall accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not later than the date the option expires.

(c) Purchase Price. The purchase price per share of the Common Stock

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under each Incentive Option shall be not less than the fair market value of the Common Stock on the date the option is granted (110% of the fair market value in the case of a greater-than-10% stockholder). For the purpose of the Plan the fair market value of the Common Stock shall be determined by the Board or the Committee. The price at which shares may be purchased pursuant to Non-Statutory Options shall be specified by the Board or the Committee at the time the option is granted, and may be less than, equal to or greater than the fair market value of the shares of Common Stock on the date such Non-Statutory Option is granted, but shall not be less than the par value of shares of Common Stock.

(d) Transferability of Options. Options granted under the Plan and the

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rights and privileges conferred thereby may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Upon any attempt so to transfer, assign, pledge, hypothecate or otherwise dispose of any option under the Plan or any right or privilege conferred hereby, contrary to the provisions of the Plan, or upon the sale or levy or any attachment or similar process upon the rights and privileges conferred hereby, such option shall thereupon terminate and become null and void.

(e) Termination of Employment or Death of Optionee. Except as may be

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otherwise expressly provided in the terms and conditions of the option granted to an Optionee, options granted hereunder shall terminate on the earliest to occur of:

(i) the date of expiration thereof;

(ii) if the Optionee is employed by the Company and such employment is terminated by the Optionee for any reason or is terminated by the Company for cause as hereinafter defined, on the date of such termination; or

(iii) if the Optionee is employed by the Company and such employment is terminated for any reason other than death or a reason set forth in the foregoing clause (ii), on the earlier of the date of expiration thereof or 30 days following the date of such termination. Until the date on which the option so expires,

the Optionee may exercise that portion of his option which is exercisable at the time of termination of such relationship.

An employment relationship between the Company and the Optionee shall be deemed to exist during any period during which the Optionee is employed by the Company or by any Subsidiary. Whether authorized leave of absence or absence on military government service shall constitute termination of the employment relationship between the Company and the Optionee shall be determined by the Board or the Committee at the time thereof. For purposes of this Section 5.1(e), the term "cause" shall mean (a) any material breach by the Optionee of any agreement to which the Optionee and the Company are both parties, (b) any act (other than retirement) or omission to act by the Optionee which may have a material and adverse effect on the Company's business or on the Optionee's ability to perform services for the Company, including, without limitation, the commission of any crime (other than minor traffic violations), or (c) any material misconduct or material neglect of duties by the Optionee in connection with the business or affairs of the Company or any Subsidiary or affiliate of the Company.

In the event of the death of an Optionee while in an employment or other relationship with the Company and before the date of expiration of such option, such option shall terminate on the earlier of such date of expiration or 180 days following the date of such death. After the death of the Optionee, his executor, administrator or any person or persons to whom his option may be transferred by will or by laws of descent and distribution, shall have the right, at any time prior to such termination, to exercise the option to the extent the Optionee was entitled to exercise such option as of the date of his death.

(f) Rights of Optionees. No Optionee shall be deemed for any

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purpose to be the owner of any shares of Common Stock subject to any option unless and until (i) the option shall have been exercised with respect to such shares pursuant to the terms thereof, and (ii) the Company shall have issued and delivered a certificate representing such shares. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Common Stock.

5.2 Certain Optional Terms. The Board or the Committee may in its

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discretion provide, upon the grant of any option hereunder, that the Company shall have an option to repurchase all or any number of shares purchased upon exercise of such option. The repurchase price per share payable by the Company shall be such amount or be determined by such formula as is fixed by the Board or the Committee at the time the option for the shares subject to repurchase was granted. The Board or the Committee may also provide that the Company shall have a right of first refusal with respect to the transfer or proposed transfer of any shares purchased upon exercise of an option granted hereunder. In the event the Board or the Committee shall grant options subject to the Company's repurchase rights or rights of first

refusal, the certificate or certificates representing the shares purchased pursuant to the exercise of such option shall carry a legend satisfactory to counsel for the Company referring to such rights.

#### SECTION 6. METHOD OF EXERCISE; PAYMENT OF PURCHASE PRICE

##### 6.1 Notice of Exercise. Any option granted under the Plan may be

exercised by the Optionee by delivering to the Company on any business day a written notice specifying the number of shares of Common Stock the Optionee then desires to purchase and specifying the address to which the certificates for such shares are to be mailed (the "Notice"), accompanied by payment for such shares.

##### 6.2 Means of Payment and Delivery. Payment for the shares of Common Stock

purchased pursuant to the exercise of an option shall be made either (i) in cash equal to the option price for the number of shares specified in the Notice (the "Total Option Price"), or (ii) if authorized by the applicable option agreement, in shares of Common Stock of the Company having a fair market value equal to or less than the Total Option Price, plus cash in an amount equal to the excess, if any, of the Total Option Price over the fair market value of such shares of Common Stock. For the purpose of the preceding sentence, the fair market value of the shares of Common Stock so delivered to the Company shall be determined in the manner specified in Section 5.1(c) hereof. As promptly as practicable after receipt of such written notification and payment, the Company shall deliver to the Optionee certificates for the number of shares with respect to which such Option has been so exercised, issued in the Optionee's name; provided, however, that such delivery shall be deemed effected for all purposes when the Company or a stock transfer agent of the Company shall have deposited such certificates in the United States mail, addressed to the Optionee, at the address specified pursuant to Section 6.1.

#### SECTION 7. ADJUSTMENT UPON CHANGES IN CAPITALIZATION

##### 7.1 No Effect of Options upon Certain Corporate Transactions. The

existence of outstanding options shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of Common Stock, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

##### 7.2 Stock Dividends, Recapitalizations, Etc. If the Company shall effect

a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the

Common Stock outstanding, without receiving compensation therefor in money, services or property, then: (i) the number, class and per share price of shares of stock subject to outstanding options hereunder shall be appropriately adjusted in such a manner as to entitle an Optionee to receive upon exercise of an option, for the same aggregate cash consideration, the same total number and class of shares that the owner of an equal number of outstanding shares of Common Stock would own as a result of the event requiring the adjustment; and (ii) the number and class of shares with respect to which options may be granted under the Plan shall be adjusted by substituting for the total number of shares of Common Stock then reserved for issuance under the Plan that number and class of shares of stock that the owner of an equal number of outstanding shares of Common Stock would own as the result of the event requiring the adjustment.

7.3 Determination of Adjustments. Adjustments under this Section 7 shall

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be determined by the Board or the Committee and such determinations shall be conclusive. The Board or the Committee shall have the discretion and power in any such event to determine and to make effective provision for acceleration of the time or times at which any option or portion thereof shall become exercisable. No fractional shares of Common Stock shall be issued under the Plan on account of any adjustment specified above.

7.4 No Adjustment in Certain Cases. Except as hereinbefore expressly

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provided, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock then subject to outstanding options.

SECTION 8. EFFECT OF CERTAIN TRANSACTIONS

If the Company is a party to a reorganization or merger with one or more other corporations, whether or not the Company is the surviving or resulting corporation, or if the Company consolidates with or into one or more other corporations, or if the Company is liquidated or sells or otherwise disposes of substantially all of its assets to another corporation (each hereinafter referred to as a "Transaction"), in any such event while unexercised options remain outstanding under the Plan, then: (i) subject to the provisions of clause (iii) below, after the effective date of such Transaction unexercised options shall remain outstanding and shall be exercisable in shares of Common Stock, or, if applicable, shares of such stock or other securities, cash or property as the holders of shares of Common Stock received pursuant to the terms of such Transaction; (ii) the Board may accelerate the time for exercise of all unexercised and unexpired options to and after a date prior to

the effective date of such Transaction; or (iii) all outstanding options may be cancelled by the Board as of the effective date of such Transaction, provided that (x) notice of such cancellation shall be given to each holder of an option and (y) each holder of an option shall have the right to exercise such option to the extent that the same is then exercisable or, if the Board shall have accelerated the time for exercise of all unexercised and unexpired options, in full, during the 30-day period preceding the effective date of such Transaction.

#### SECTION 9. AMENDMENT OF THE PLAN

The Board may terminate the Plan at any time, and may amend the Plan at any time and from time to time, subject to the limitation that, except as provided in Sections 7 and 8 hereof, no amendment shall be effective unless approved by the stockholders of the Company in accordance with applicable law and regulations, at an annual or special meeting held within twelve months before or after the date of adoption of such amendment, in any instance in which such amendment would: (i) increase the number of shares of Common Stock as to which options may be granted under the Plan; or (ii) change in substance the provisions of Section 4 hereof relating to eligibility to participate in the Plan.

Except as provided in Sections 7 and 8 hereof, rights and obligations under any option granted before termination or amendment of the Plan shall not be altered or impaired by such termination or amendment except with the consent of the Optionee.

#### SECTION 10. NON-EXCLUSIVITY OF THE PLAN; NON-UNIFORM DETERMINATIONS

Neither the adoption of the Plan by the Board nor the approval of the Plan by the stockholders of the Company shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

The Board's or Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive or are eligible to receive options under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Board or the Committee shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective option agreements, as to (i) the persons to receive options under the Plan, (ii) the terms and provisions of options, (iii) the exercise by the Board or the Committee of its discretion in respect of

the exercise of options pursuant to the terms of the Plan, and (iv) the treatment of leaves of absence pursuant to Section 5.1(e) hereof.

SECTION 11. GOVERNMENT AND OTHER REGULATIONS; GOVERNING LAW;  
WITHHOLDING TAXES

The obligation of the Company to sell and deliver shares of Common Stock with respect to options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by government agencies as may be deemed necessary or appropriate by the Board or the Committee. All shares sold under the Plan shall bear appropriate legends. The Company may, but shall in no event be obligated to, register or qualify any shares covered by options under applicable federal and state securities laws; and in the event that any shares are so registered or qualified the Company may remove any legend on certificates representing such shares. The Company shall not be obligated to take any other affirmative action in order to cause the exercise of an option or the issuance of shares pursuant thereto to comply with any law or regulation of any governmental authority. The Plan shall be governed by and construed in accordance with the laws of the state of New Hampshire.

Whenever under the Plan shares are to be delivered upon exercise of an option, the Company shall be entitled to require as a condition of delivery that the Optionee remit an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto.

SECTION 12. "LOCKUP" AGREEMENT

The Board or the Committee may in its discretion specify upon granting an option that the Optionee shall agree, for a period of time (not to exceed 180 days) from the effective date of any registration of securities of the Company, upon request of the Company or the underwriter or underwriters managing any underwritten offering of the Company's securities, not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares issued pursuant to the exercise of such option, without the prior written consent of the Company or such underwriter or underwriters, as the case may be.

SECTION 13. EFFECTIVE DATE OF PLAN

The effective date of the Plan is December 20, 1993, the date on which it was approved by the Board. No option may be granted under the Plan after the tenth anniversary of such effective date. Subject to the foregoing, options may be granted under the Plan at any time subsequent to December 20, 1993; provided, however, that (a) no Incentive Option shall be exercised or exercisable unless the stockholders of the

Company shall have approved the Plan no later than one year from such effective date, and (b) all Incentive Options issued prior to the date of such stockholders' approval shall contain a reference to such condition.



MILLER-VALENTINE PARTNERS  
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WAREHOUSE/DISTRIBUTION  
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AGREEMENT OF LEASE  
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LEASE FOR                   PC CONNECTION, INC.  
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PROPERTY LOCATED AT           2870 Old State Route 73, Wilmington, Ohio 45177  
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MILLER-VALENTINE PARTNERS

WAREHOUSE/DISTRIBUTION

AGREEMENT OF LEASE

THIS LEASE made this 24th day of September, 1990, by and between MILLER-VALENTINE PARTNERS, hereinafter referred to as the Lessor, and PC CONNECTION, INC., hereinafter referred to as the Lessee. The Lessee's business enterprise is organized as a corporation and is admitted to do business in the State of Ohio.

W I T N E S S E T H:

The Lessor does hereby lease and let to the Lessee and the Lessee accepts from the Lessor under the terms and conditions of this Lease, the following described Premises:

38,400 square feet of a building which contains 102,400 square feet more or less at 2870 Old State Route 73, Wilmington, Ohio 45177

hereinafter referred to as the Leased Premises.

ARTICLE 1. TERM.  
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TO HAVE AND TO HOLD unto the Lessee for a term of three (3) years commencing on the 1st day of January 1991, and ending on the 31st day of December 1993, both dates inclusive.

ARTICLE 2. LEASED PREMISES.  
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The Leased Premises shall be delivered as per the attached specification, Exhibit A.

ARTICLE 3. POSSESSION.  
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If Lessor is unable to give occupancy of the Leased Premises on the above date because construction has not been completed, the term shall commence on the first of the month following completion and thereafter for the full term granted. Lessor shall not be liable for damages because of such delay in occupancy. Provided, however, if the Lessee's occupancy is delayed by fault of Lessor more than sixty (60) days after the commencement date, the Lessee may after thirty (30) days' written notice elect to terminate this Lease if Lessor is not able to deliver occupancy before such termination date. If the delay in completion is caused by the Lessee, the term shall commence and rent will start irrespective of the Leased Premises not being ready for occupancy.

ARTICLE 4. RENT.

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Section 1. Lessee shall pay to the Lessor as Basic Annual Rent for

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the Leased Premises the sum of ONE HUNDRED THIRTY FOUR THOUSAND FOUR HUNDRED AND NO/100 DOLLARS (\$134,400.00) which shall be paid in equal monthly installments of ELEVEN THOUSAND TWO HUNDRED AND NO/100 DOLLARS (\$11,200.00), due and payable on the first day of each month, in advance, without demand. Said rent shall be paid to the Lessor, or to the duly authorized agent of the Lessor, at its office during business hours. If the commencement date of this Lease is other than the first day of the month, any rental adjustment or additional rents hereinafter provided for shall be prorated accordingly. The Lessee will pay the rent as herein provided, without deduction whatsoever, and without any obligation of the Lessor to make demand for it. Any installment of rent accruing hereunder and any other sum payable hereunder, if not paid when due, shall bear interest at the rate of eighteen percent (18%) per annum until paid. The Basic Annual Rent of \$134,400.00 shall be adjusted annually based on any increases in the Consumer Price Index beginning one year after the commencement date of this Lease and at the end of each year thereafter, whether during the term of this Lease or any renewal or extension thereof. Increases in the Annual Rent shall be made in accordance with the following procedure:

a. The index to be used for this adjustment shall be the consumer Price Index (U.S. City Average, All Urban Consumers, All Items, 1982-1984 equaling a base of 100, from the U. S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.).

b. The Consumer Price Index of 1990 for the month of September shall be the "Base Period Consumer Price Index." The Consumer Price Index for the month of September in each adjustment year shall be the "Adjustment Period Consumer Price Index."

c. The Base Period Consumer Price Index shall be subtracted from the Adjustment Period Consumer Price Index; the difference shall be divided by the Base Period Consumer Price Index. This quotient shall then be multiplied by the Basic Annual Rent, and the result shall then be added to the Basic Annual Rent. The resulting sum shall be the adjusted Annual Rent for such immediately succeeding leasehold period which shall be paid in equal monthly installments.

d. If the said Consumer Price Index is, at any time during the term of this Lease, discontinued by the Government, then the most nearly comparable index shall be substituted for the purpose of the aforesaid calculations.

Section 2. The Lessee shall reimburse the Lessor for the costs of

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water, gas, and electricity or such other utilities and heating and air conditioning

maintenance in the event that such services are furnished by Lessor and not separately metered to the Lessee. Said reimbursement shall be additional rent due on the first day of the calendar month next following rendition of a bill therefor. If any services are separately metered, the cost shall be paid directly by the Lessee to the utility service. The heating and other utilities, except water, not separately metered will be prorated on the basis of the square footage serviced by a given meter and paid to Lessor as billed. The total costs of water shall be paid by the Lessees currently in occupancy and the costs thereof shall be prorated on the basis of square footage occupied by each Lessee. A 10% handling fee for these billable services will be charged by the Lessor.

Section 3. The Lessee agrees to pay any increased real estate

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taxes over and above the real estate taxes paid by the Lessor during the first year of the term of this Lease. The Lessee's proportionate share of any such increase shall be a fraction thereof, the numerator of which is the number of square feet of floor area in the Leased Premises and the denominator of which is the total square feet of the floor area in the building both as specified aforesaid in the Lease. Said amount shall be deemed to be additional rent and shall be due and payable on the first of the month following delivery to Lessee of a receipt for Lessor's payment of said real estate taxes. The Lessee shall pay its prorated share of expenses that the Lessor shall incur by reason of compliance with new laws, orders, special rent/use taxes, ordinances and new regulations of Federal, State, County and Municipal authorities, and with any lawful direction of any public officer or officers, which lawful direction shall be imposed upon the Lessor for the common good of the occupants of the building.

ARTICLE 5. SECURITY DEPOSIT.

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To assure fulfillment of the covenants by Lessee hereinafter set forth, Lessor hereby acknowledges receipt from the Lessee of ELEVEN THOUSAND TWO HUNDRED AND NO/100 DOLLARS (\$11,200.00) as a security deposit to be held by the Lessor until such time as this Agreement has terminated, Lessee has vacated the Leased Premises, and Lessor has inspected the same. THE SECURITY DEPOSIT SHALL ACCRUE INTEREST FOR THE BENEFIT OF LESSEE. Until such time, Lessor shall have no obligation to apply the security deposit to any unpaid amount due Lessor from Lessee. If Lessee has performed and observed all terms, covenants and conditions of this Agreement, including without limitation, the payment of all rentals thereunder, as and when same become due, Lessor shall refund said security deposit to Lessee, less such amounts as may be reasonably chargeable for any failure by Lessee to restore the Leased Premises to the condition at time of occupancy, reasonable wear and tear excepted. Lessee's duty to restore the Leased Premises shall include, but not be limited to, the repair and painting of the walls, repair of floors, ceilings and woodwork and other parts of the Leased Premises occasioned by the removal of nails, screws or other fasteners that are now on the Leased Premises or

may be placed there during the term of this Lease. Under no circumstances shall this security deposit be deducted from the last month's rent.

ARTICLE 6. COMMON AREA.  
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For the purpose of this Lease, common area shall be defined as all of the property described herein that is not actually occupied by the building. The Lessee shall have the use in common with other Lessees to the parking areas and driveways for ingress and egress to the Leased Premises. The Lessee shall have no right to use the common area for storage purposes and trash shall be stored only in approved containers in the common area. The Lessor shall maintain the common area and keep the same in good order and repair including lighting and landscaping. The cost of ice and snow removal will be prorated among the Lessees in accordance with the percentage that the Leased Premises bears to the entire building. The pro rata share of such cost will be deemed to be additional rent and shall be due the first of the month following the invoice thereof by Lessor to Lessee of the amount due.

ARTICLE 7. USE OF LEASED PREMISES.  
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Section 1. The Leased Premises shall be used and occupied only for  
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office purposes and/or DISTRIBUTION AND storage of COMPUTER SOFTWARE AND COMPONENTS WHICH ARE materials of light or ordinary hazard, and for no other purpose or purposes without the written consent of the Lessor.

Section 2. The Lessee shall operate its business in a safe and  
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proper manner as is normal, considering the uses of the Leased Premises above provided; and shall not manufacture, store, display or maintain any products or materials that will endanger the Leased Premises; shall NOT USE, SELL, STORE OR MANUFACTURE HAZARDOUS MATERIALS, PROVIDED THAT THIS PROVISION SHALL NOT PREVENT LESSEE FROM USING ORDINARY CLEANING AGENTS IN THE COURSE OF REGULAR MAINTENANCE OF ITS FACILITY; shall not obstruct the sidewalks; shall not use the plumbing for any other purpose than for which it was constructed; shall not make or permit any noise and/or odor objectionable to the public or adjacent occupants; shall not create a nuisance on the Leased Premises; and shall commit no waste.

Section 3. The Lessee shall abide by all police and fire  
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regulations concerning the operation of its business; shall store all trash, rubbish, and debris in closed containers; and shall practice all proper procedures and methods that are common to its business enterprise. The Lessee shall maintain a minimum temperature in the Leased Premises of 55 degrees F.

ARTICLE 8. REPAIRS.

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Section 1. Lessor shall keep the foundations, exterior walls

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(except plate glass or glass or other breakable materials used in structural portions) and roof in good repair.

Section 2. Lessor shall contract for the maintenance of the

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mechanical equipment and the Lessee will reimburse its pro rata share thereof. The Lessee shall replace any hot water heater as the need should arise with the same type and quality servicing the Leased Premises PROVIDED THE HOT WATER HEATER HAS BEEN PROPERLY SERVICED. The Lessor shall replace, as needed, the heating and air conditioning equipment, provided the unit has been serviced annually AND PROPERLY. The cost of replacement shall be prorated over the warranty period for such equipment, and further prorated among the Lessee benefiting from such equipment; the result of such proration to be an annual share of cost to Lessee, and the Lessee will pay one-twelfth thereof for each month during the remaining term and renewals of this Lease.

Section 3. Lessor shall not be liable for any damage TO THE

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PREMISES CAUSED BY THE NEGLIGENCE OF LESSEE OR DAMAGE CAUSED BY THE FAILURE OF LESSEE TO NOTIFY LESSOR OF THE NEED FOR REPAIRS IF LESSEE HAD ACTUAL KNOWLEDGE OF SUCH NEED FOR REPAIR. The Lessee shall reimburse the Lessor the cost of all repairs to the Leased Premises, fixtures and appurtenances necessitated by the fault of the Lessee, its agents, employees or guests and shall reimburse the Lessor for the cost of repair, at or before the end of the term or sooner if so requested by Lessor, all injury done by the installation or removal of furniture or other property.

Section 4. Except as provided in Sections 1, 2, and 3 of this

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Article, Lessor shall not be obligated to make repairs, replacements or improvements of any kind upon said Leased Premises, or any equipment facilities or fixtures therein contained, which shall at all times be kept in good order, conditions and repair by Lessee, and in a clean, sanitary and safe condition and in accordance with all applicable laws, ordinances and regulations of any governmental authority having jurisdiction. Lessee shall permit no waste, damage, or injury to the Leased Premises.

Section 5. Lessee shall forthwith at its own cost and expense

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replace with glass of the same kind and quality any cracked or broken glass, including plate glass or glass or other breakable materials used in structural portions, and any interior and exterior windows and doors in the Leased Premises.

ARTICLE 9. INSTALLATIONS AND ALTERATIONS.

Section 1. Lessee shall not make any alterations or additions to

the Leased Premises without first procuring Lessor's written consent WHICH WILL NOT BE UNREASONABLY WITHHELD and delivering to Lessor the plans and specifications and copies of the proposed contracts and necessary permits, and shall furnish indemnification against liens, costs, damages and expenses as may be reasonably required by Lessor. LESSEE SHALL HAVE THE OPTION OF REMOVING ANY OF THE ALTERATIONS, ADDITIONS, IMPROVEMENTS AND FIXTURES AT THE END OF THE LEASE PERIOD UNLESS REMOVAL WILL CAUSE DAMAGE TO THE PREMISES; ALL REMOVAL SHALL TAKE PLACE BY THE END OF THE LEASE PERIOD. Any linoleum or other floor covering of similar character which may be cemented or otherwise adhesively affixed to the floor shall become the property of Lessor, all without compensation or credit to Lessee.

Section 2. The Lessee shall not erect or install any signage

without first procuring Lessor's written consent WHICH WILL NOT BE UNREASONABLY WITHHELD.

Section 3. The Lessee shall have no rights to use and shall not

use the roof of the Leased Premises for any purpose without the written consent of the Lessor. The Lessee shall not use the roof for storage, for any activity that will result in traffic on the roof, for anything that will penetrate the roof, use the roof as an anchor or otherwise damage the roof. The consent of the Lessor must be in writing for each specific use and must also approve the method of installation of the permitted use. Should the Lessee break this covenant, the Lessee shall be responsible for any damages caused to the roof or other parts of the building and shall assume the cost of maintaining and repairing the roof during the term of the Lease, including any renewals.

ARTICLE 10. INDEMNIFICATION.

Except to the extent of the negligence or misconduct of Lessor, Lessee agrees to indemnify and hold Lessor harmless against and from any and all claims, damages, costs, and expenses, including reasonable attorney's fees, arising out of Lessee's use or occupancy of the Leased Premises. Except to the extent of Lessee's negligence or misconduct, Lessor agrees to indemnify and hold Lessee harmless against and from any and all claims, damages, costs, and expenses, including reasonable attorney's fees, arising out of Lessor's failure to perform its duties and obligations as owner or agent of the owner of the property of which the Leased Premises is a part.



ARTICLE 11. INSURANCE.

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Section 1. Lessee shall not carry any stock of goods or do

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anything in or about said Leased Premises which CONSTITUTES HAZARDOUS MATERIAL OR ACTIVITY. If Lessor shall consent to such use, Lessee agrees to reimburse Lessor on a pro rata basis for any increase in premiums for insurance against loss by fire or extended coverage risks resulting from the business carried on in the Leased Premises by Lessee. If Lessee installs any electrical equipment that overloads the power lines to the building, Lessee shall at its own expense make whatever changes are necessary to comply with the requirements of insurance underwriters and insurance rating bureaus and governmental authorities having jurisdiction PROVIDED THAT THIS PROVISION SHALL HAVE NO EFFECT IF LESSEE INSTALLS OR USES THE ELECTRICAL AND ELECTRONIC EQUIPMENT SET FORTH IN SCHEDULE "A" ATTACHED HERETO AND MADE A PART HEREOF. LESSOR ACKNOWLEDGES THAT THE ELECTRICAL SUPPLY FOR THE LEASED PREMISES IS ADEQUATE FOR THE EQUIPMENT LISTED ON SAID SCHEDULE "A."

Section 2. Lessee agrees to procure and maintain a policy or

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policies of insurance, at its own costs and expense, insuring from all claims, demands or actions for injury to or death of more than one person in any one accident and for damages to property in an aggregate amount of not less than \$1,000,000.00 made by or on behalf of any person or persons, firm or corporation, arising from, related to, or connected with the conduct and operation of Lessee's business in the Leased Premises. Lessor shall be named an Additional Insured Party in said policy. Such insurance shall be primary relative to any other valid and collective insurance. Said insurance shall not be subject to cancellation except after at least thirty (30) days' prior written notice to Lessor, and the policy or policies, or duly executed certificate or certificates for the same, OR OTHER PROPER EVIDENCE OF THE SAME, together with satisfactory evidence of the payment of the premium thereon, shall be deposited with Lessor at the commencement of the term and renewals of such coverage. If Lessee fails to comply with such requirement, Lessor may obtain such insurance and keep the same in effect, and Lessee shall pay Lessor the premium cost thereof upon demand.

Section 3. All property which may be upon said Leased Premises

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during the term hereof or any renewal thereof shall be at and upon the sole risk and responsibility of Lessee.

ARTICLE 12. DAMAGE BY FIRE OR OTHER CASUALTY

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Section 1. If the Leased Premises shall be destroyed or so injured

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by any cause as to be unfit, in whole or in part, for occupancy and such destruction or injury could reasonably be repaired within three (3) months from the happening of

such destruction or injury, then Lessee shall not be entitled to surrender possession of the Leased Premises nor shall Lessee's liability to pay rent under this Lease cease without mutual consent of the parties hereto, but in case of any such destruction or injury Lessor shall repair the same with all reasonable speed and shall complete such repairs within three (3) months from the happening of such injury, and if during such period Lessee shall be unable to use all or any portion of the Leased Premises, a proportionate allowance shall be made to Lessee from the rent corresponding to the time during which and to the portion of the Leased Premises of which Lessee shall be so deprived of the use on account thereof.

Section 2. If such destruction or injury cannot reasonably be

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repair within three (3) months from the happening thereof, Lessor shall notify Lessee within ten (120) days after the happening of such destruction or injury whether or not Lessor will repair or rebuild. If Lessor elects not to repair or rebuild, this Lease shall be terminated. If Lessor shall elect to repair or rebuild, Lessor shall specify the time within which such repairs or reconstruction will be complete, and Lessee shall have the option, within ten (10) days after the receipt of such notice, to elect either to terminate this Lease and further liability hereunder, or to extend the term of the Lease by a period of time equivalent to the time from the happening of such destruction or injury until the Leased Premises are restored to their former condition. In the event Lessee elects to extend the term of the Lease, Lessor shall restore the Leased Premises to their former condition within the specified time in the notice, and Lessee shall not be liable to pay rent for the period from the time of such destruction or injury until the Leased Premises are so restored to their former condition.

ARTICLE 13. EMINENT DOMAIN.

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Section 1. If the whole or substantially all of the Leased

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Premises hereby leased shall be taken by a public authority under the power of eminent domain, then the term of this Lease shall cease as of the day possession shall be taken by such public authority, and the rent shall be paid up to that date with a proportionate refund by Lessor of such rent as shall have been paid in advance.

Section 2. If less than substantially all of the floor area of the

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Leased Premises shall be so taken PROVIDED THAT THE AREA REMAINING IS ADEQUATE FOR LESSOR'S BUSINESS PURPOSES, the term of this Lease shall cease only on the parts so taken as of the day possession shall be taken by such public authority, and the rent shall be paid up to that day with a proportionate refund by Lessor of such rent as may have been paid in advance, and thereafter the minimum rent shall be equitably abated, and Lessor shall at its own cost and expense make all necessary repairs or alterations as to constitute the remaining Leased Premises a complete architectural unit.

Section 3. All damages awarded for such taking under the power of

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eminent domain, whether for the whole or a part of the Leased Premises, shall be the property of Lessor whether such damages shall be awarded as compensation for diminution in value of the leasehold or to the fee of the Leased Premises; provided, however, that the Lessor shall not be entitled to any separate award made to Lessee for loss of business, depreciation to and cost of removal of stock and fixtures.

ARTICLE 14. ASSIGNMENT OR SUBLETTING.

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Section 1. Lessee shall not assign or in any manner transfer this

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Lease or any interest therein, nor sublet said Leased Premises or any part or parts thereof, not permit occupancy by anyone with, through, or under it, without the previous written consent of Lessor which consent shall not be unreasonably withheld. Consent by Lessor to one or more assignments of this Lease or to one or more sublettings of the Leased Premises shall not operate as a waiver of Lessor's rights under this Article to any subsequent assignment or subletting. No assignment shall release Lessee of any of its obligations under this Lease or be construed or taken as a waiver of any of Lessor's rights or remedies hereunder.

Section 2. Neither this Lease nor any interest therein, nor any

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estate thereby created, shall pass to any trustee or receiver in bankruptcy or any assignee for the benefit of creditors or by operation of law.

Section 3. Provided that the Lessee with Lessor's consent assigns

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or sublets part or all of the Leased Premises at a rental that exceeds the current rental herein reserved, the Lessor shall be entitled to receive as additional rental one-half of such excess of the current rental. The Lessee shall remit one-half of such increase within five (5) days after receipt by it.

ARTICLE 15. ACCESS TO LEASED PREMISES.

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The Lessor shall retain duplicate keys to all of the doors of the Leased Premises. THE LESSOR OR ITS AGENTS SHALL HAVE THE RIGHT TO ENTER UPON THE LEASED PREMISES ONLY IN THE EVENT OF AN EMERGENCY. THE LESSOR OR ITS AGENTS SHALL HAVE THE RIGHT TO ENTER UPON THE LEASED PREMISES AT REASONABLE HOURS FOR THE PURPOSE OF INSPECTING THE SAME OR MAKING REPAIRS ONLY UPON REASONABLE NOTICE TO LESSEE. LESSOR MAY SHOW THE LEASED PREMISES TO PROSPECTIVE LESSEES OR PURCHASERS FROM TIME TO TIME DURING THE LEASE TERM, AT A TIME AGREEABLE TO LESSEE. LESSEE MAY REFUSE SHOWING TO PERSONS REASONABLY BELIEVED TO BE GATHERING INFORMATION FOR COMPETITIVE BUSINESS PURPOSES.

ARTICLE 16. ATTORNNMENT.

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In the event the herein Leased Premises are sold due to any foreclosure sale or sales, by virtue of judicial proceedings or otherwise, this Lease shall continue in full force and effect, and Lessee agrees, upon request, to attend to and acknowledge the foreclosure purchaser or purchasers at such sale as Lessors hereunder; provided such purchaser will recognize this Lease, unless and until it is in default.

ARTICLE 17. LESSEE'S DEFAULT.  
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Section 1. The Lessee, ten (10) days after receipt of written  
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notice, shall be considered in default of this Lease upon failure to pay when due the rent or any other sum required by the terms of the Lease; failure to perform any term, covenant or condition of this Lease; the commencement of any action or proceeding for the dissolution, liquidation or reorganization under the Bankruptcy Act, of Lessee, or for the appointment of a receiver or trustee of the Lessee's property; the making of any assignment for the benefit of creditors by Lessee; the suspension of business; or the abandonment of the Leased Premises by the Lessee.

Section 2. In the event of default of this Lease by Lessee, then  
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LESSEE SHALL QUIT AND SURRENDER THE PREMISES WITHIN TEN (10) DAYS OF SUCH DEFAULT. IF AFTER THE TEN (10) DAY PERIOD LESSEE HAS NOT QUIT THE PREMISES, THEN LESSEE SHALL BE RESPONSIBLE FOR ALL DAMAGES AND COSTS OF EVICTION THEREAFTER, INCLUDING REASONABLE ATTORNEY'S FEES.

Section 3. No such reentry or taking possession of said Leased  
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Premises by Lessor shall be construed as an election on its part to terminate this Lease, unless a written notice of such intention be given to Lessee or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Lessor may at any time thereafter elect to terminate this Lease for such previous breach or act of default. Should Lessor at any time terminate this Lease for any breach or act of default, in addition to any other remedy it may have, it may recover from Lessee all damages it may incur by reason of such breach or act of default, including the cost of recovering the Leased Premises, legal fees, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable rental value of the Leased Premises for the remainder of the stated term.

ARTICLE 18. SURRENDER OF LEASED PREMISES.  
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Section 1. If Lessee holds possession of the Leased Premises after  
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the termination of this Lease for any reason, Lessee shall pay Lessor double the rent

provided for herein for such period that Lessee holds over, but such payment of rent shall not create any Lease arrangement whatsoever between Lessor and Lessee, unless expressly agreed to in writing by Lessor. It is further understood that during such period that Lessee holds over, the Lessor retains all of Lessor's rights under this Lease, including damages as a result of the termination of this Lease and the right to immediate possession of the Lease Premises. This paragraph shall not be construed to grant Lessee permission to hold over.

Section 2. At the expiration of the tenancy created hereunder,  
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whether by lapse of time or otherwise, Lessee shall surrender the Leased Premises broom clean, free of all debris and in good condition and repair, reasonable wear and loss by fire or other unavoidable casualty excepted.

Section 3. Prior to surrender of the Leased Premises, the Leased  
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Premises will be reviewed by a representative of the Lessor and Lessee to determine if there is any deferred maintenance or unrepaired damage. In the event that there is deferred maintenance and/or unrepaired damage, Lessor may effect such maintenance and repairs and Lessee will pay the cost thereof.

Section 4. Upon the expiration of the tenancy hereby created, if  
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Lessor so requests in writing, Lessee shall promptly remove any additions, fixtures and installations placed in the Leased Premises by Lessee that is designated in said request, and repair any damage occasioned by such removals at its own expense, and in default thereof, Lessor may effect such removals and repairs, and Lessee shall pay Lessor the cost thereof, with interest at the rate of eight (8) percent per annum from the date of payment by Lessor.

ARTICLE 19. RELOCATION.  
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The Lessor reserves the right, at any time during the term of this Lease, to request in writing that the Lessee relocate to other such space, area or floor within the said building or building complex as the Lessor may deem advisable or necessary. The new Leased Premises shall contain the same approximate square footage of rentable area as the former Leased Premises. Lessee shall have thirty (30) days from the date of Lessor's request to accept OR REFUSE the new Leased Premises. If accepted, Lessor shall remodel the new Leased Premises to be as nearly as possible similar, in layout and finish as the former Leased Premises. Upon completion of remodeling by Lessor and delivery of possession, Lessee shall relocate in the new Leased Premises and vacate the former Leased Premises. Except for the change in designation of Leased Premises, all provisions of this Lease shall remain the same. The Lessor shall pay the cost of relocating the Lessee into the new Leased Premises, including a reasonable cost of address changes for supplies if necessary. If the Lessee refuses to accept the new Leased Premises, THE LESSEE SHALL CONTINUE TO OCCUPY AND LEASE THE PRESENT LEASED PREMISES WITHOUT PREJUDICE AND THE TERMS AND CONDITIONS OF THIS LEASE

SHALL CONTINUE IN FULL FORCE AND EFFECT FOR THE DURATION OF THE LEASE PERIOD OR RENEWAL THEREOF.

ARTICLE 20. SUBORDINATION.  
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This Lease shall be subject to and subordinate at all times to the lien of any mortgages, now or hereafter made on the Lease Premises, and to all advances made or hereafter to be made thereunder. The Lessee agrees to execute a subordination agreement should Lessor's lender request same.

ARTICLE 21. NOTICE.  
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All notices under this Lease may be personally delivered or mailed to the address shown by certified mail..

Lessor: Miller-Valentine Partners  
Mail: P.O. Box 744  
Dayton, Ohio 45401-0744

Lessee: PC Connection, Inc.  
Mail: ATTN: Mr. Donald S. Kincaid  
450 Marlboro Street  
Keene, New Hampshire 03431

Either party may from time to time designate in writing other addresses.

ARTICLE 22. WAIVER OF SUBROGATION.  
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The Lessor and Lessee waive all rights, each against the other, for damages caused by fire or other perils covered by insurance where such damages are sustained in connection with the occupancy of the Leased Premises.

ARTICLE 23. ESTOPPEL CERTIFICATE.  
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The Lessee agrees to execute an Estoppel Certificate for the benefit of Lessor's lender; that wherein the Lessee acknowledges the terms and conditions of this Lease.

ARTICLE 24. RENT DEMAND.  
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Every demand for rent due wherever and whenever made shall have the same effect as if made at the time it falls due and at the place of payment, and after the service of any notice or commencement of any suit, or final judgment

therein, Lessor may receive and collect any rent due, and such collection or receipt shall not operate as a waiver or nor affect such notice, suit or judgment.

ARTICLE 25. NO REPRESENTATION BY LESSOR.  
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Lessor and its agent have made no representations or promises with respect to the Leased Premises or the building of which the same form a part except as herein expressly set forth.

ARTICLE 26. WAIVER OF BREACH.  
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No waiver of any breach of the covenants, provisions or conditions contained in this Lease shall be construed as a waiver of the covenant itself or any subsequent breach itself, and if any breach shall occur and afterwards be compromised, settled or adjusted, this Lease shall continue in full force and effect as if no breach had occurred, unless otherwise agreed. The acceptance of rent hereunder shall neither be nor construed to be a waiver of any breach of any term, covenant or condition of this Lease.

ARTICLE 27. QUIET ENJOYMENT.  
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Lessor hereby covenants and agrees that if Lessee shall perform all the covenants and agreements herein stipulated to be performed on Lessee's part, Lessee shall at all times during the continuance hereof have the peaceable and quiet enjoyment and possession of the Leased Premises without any manner of let or hindrance from Lessor or any person or persons lawfully claiming the Leased Premises except as otherwise provided for herein.

ARTICLE 28. ENVIRONMENTAL PROVISIONS.  
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Section 1. The Lessor, to the best of its knowledge, represents to  
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the Lessee that no toxic, explosive or other dangerous materials or hazardous substances have been concealed within, buried beneath, released on or from, or removed from and stored off-site of the Property upon which the Leased Premises is constructed.

Section 2. Lessee shall at all times during the term of this Lease  
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comply with all applicable federal, state, and local laws, regulations, administrative rulings, orders, ordinances, and the like, pertaining to the protection of the environment, including but not limited to, those regulating the handling and disposal of waste materials. Further, during the term of this Lease, neither Lessee nor any agent or party acting at the direction or with the consent of Lessee shall treat, store, or dispose of any "hazardous substance," as defined in Section 101 (14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980

("CERCLA"), or petroleum (including crude oil or any fraction thereof) on or from the Property.

Section 3. Lessee shall fully and promptly pay, perform,

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discharge, defend, indemnify and hold harmless Lessor from any and all claims, orders, demands, causes of action, proceedings, judgments, or suits and all liabilities, losses, costs or expenses (including, without limitation, technical consultant fees, court costs, expenses paid to third parties and reasonable legal fees) and damages arising out of, or as a result of, (i) any "release" as defined in Section 101 (22) of CERCLA, of any "hazardous substance," as defined in Section 101 (14) of CERCLA, or petroleum, (including crude oil or any fraction thereof) or place into, on or from the Property at any time after the date of this lease; (ii) any contamination of the Property's soil or groundwater or damage to the environment and natural resources of the Property the result of actions occurring after the date of this Lease, whether arising under CERCLA or other statutes and regulations, or common law; and (iii) any toxic, explosive or otherwise dangerous materials or hazardous substances which have been buried beneath, concealed within or released on or from the Property after the date of this Lease. THIS SUBSECTION SHALL APPLY ONLY IN THE EVENT ANY OF THE SAID ACTS WERE ACTUALLY UNDERTAKEN BY THE LESSEE, LESSEE'S SUPPLIERS OR UNDERTAKEN ON LESSEE'S BEHALF.

ARTICLE 29. INTERPRETATION.

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Section 1. Wherever either the word "Lessor" or "Lessee" is used

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in the Lease, it shall be considered as meaning the singular and/or neuter pronouns as used herein, and the same shall be construed as including all persons and corporations designated respectively as Lessor or Lessee in the heading of this instrument wherever the context requires.

Section 2. If any clause, sentence, paragraph, or part of this

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Lease shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not effect, impair, or invalidate the remainder of this Lease, but be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered, and in all respects said Lease shall continue in full force and effect.

ARTICLE 30. FINANCIAL STATEMENTS.

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At Lessor's request, the Lessee, within thirty (30) days of Lessor's request, shall furnish the Lessor OR LESSOR'S MORTGAGEE WITH FINANCIAL REFERENCES AND SUCH LIMITED FINANCIAL INFORMATION AS IT DEEMS REASONABLE TO PROVIDE LESSOR WITH COMFORT THAT LESSEE HAS THE ABILITY TO MEET ITS OBLIGATIONS HEREUNDER.



ARTICLE 31. MEMORANDUM OF LEASE.

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It is agreed by both parties that this instrument is not recordable and if either party should record the same in the Office of the Recorder of Warren County, Ohio, the recording shall have no effect. When possession of the Leased Premises has been delivered to Lessee, the parties hereto may execute, acknowledge and deliver a Memorandum of Lease in recordable form specifying the terms of this Lease and renewal period of this Lease. In the event they differ from the dates herein, the date in the Memorandum shall control.

ARTICLE 32. OPTION TO RENEW.

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Lessee is hereby granted an option to renew this Lease for an additional term of three (3) years on the same terms and conditions contained herein except for the rental and the length of the term, upon the conditions that:

a. written notice of the exercise of such option shall be given by Lessee to Lessor not less than one hundred eighty (180) days prior to the end of the term of this Lease; and

b. at the time of the giving of such notice and at the expiration of the term of this Lease, there are no defaults in the covenants, agreements, terms and conditions on the part of Lessee to be kept and performed, and all rents are and have been fully paid. Provided also, that the rent to be paid during each year of the said renewal period shall be as determined in accordance with the following procedure:

(1) The index to be used for this adjustment shall be the Consumer Price Index (U.S. City Average, All Urban Consumers, All Items, 1982-1984 equalling a base of 100, from the U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.).

(2) The Consumer Price Index of 1990 for the month of September shall be the "Base Period Consumer Price Index."

(3) The Consumer Price Index for the month of September each succeeding year shall be determined from the published figures and shall be the "Adjustment Period Consumer Price Index."

(4) The Base Period Consumer Price Index shall be subtracted from the Adjustment Period Consumer Price Index; the difference shall be divided by the Base Period Consumer Price Index. This quotient shall then be multiplied by \$134,400.00 and the result shall then be added to \$134,400.00. This arithmetical sum shall then be the adjusted Basic Annual Rent for such immediately succeeding leasehold year which shall be paid in equal monthly payments.

(5) If the said Consumer Price Index is, at any time during the term of this Lease, discontinued by the Government, then the most nearly comparable index shall be substituted for the purpose of the aforesaid calculations.

ARTICLE 33. ENTIRE AGREEMENT.  
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This Lease contains the entire agreement between the parties and any executory agreement hereafter shall be ineffective to change, modify or discharge it in whole or in part unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification, or discharge is sought./\*/

IN WITNESS WHEREOF, the parties hereto set their hands to triplicates hereof, this 27th day of September, 1990, as to Lessor, and this 24th day of September, 1990, as to Lessee.

Signed and acknowledged  
in the presence of:

LESSOR: MILLER-VALENTINE PARTNERS

/s/ Vernon Oakley  
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By: /s/ James M. Miller  
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James M. Miller

/s/ Audrey G. Sachs  
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Its: Senior Partner  
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LESSEE: PC CONNECTION, INC.

/s/ Charles Morang III  
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By: /s/ David Hall  
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David Hall

/s/ Steven Markiewicz  
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Its: Executive Vice President  
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/\*/Other than that Lessee has entered into this Lease, Lessor shall keep the specific terms of this Lease confidential.

STATE OF OHIO, COUNTY OF MONTGOMERY, SS:

The foregoing instrument was acknowledged before me this 27th day of September, 1990, by James M. Miller, Senior Partner on behalf of MILLER-

-----  
VALENTINE PARTNERS, an Ohio general partnership.

/s/ Mary Anne Hartley  
-----  
Notary Public

Mary Anne Hartley, Notary Public  
In and for The State of Ohio  
My Commission Expires Jan. 26, 1992

STATE OF NEW HAMPSHIRE, COUNTY OF CHESHIRE, SS:

The foregoing instrument was acknowledged before me this 24th day of September, 1997, by David Hall, the Executive Vice President of PC CONNECTION,

-----  
INC., a corporation, on behalf of said corporation.

/s/ Steven Markiewicz  
-----  
Notary Public

EXHIBIT A

Outline Specification  
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September 10, 1990

Prepared for

PC CONNECTION, INC.

Area: 38,400 Square Feet (240' x 160').  
See Exhibit B

Clear Height: 19' under bar joist.

Doors: 5 dock high doors (8' x 9') with levelers.  
1 grade level drive-in door (12' x 14')  
1 decorative glass office entry door with side lite plus 2  
pedestrian doors per bay (one in front and one in rear) as  
required by fire code.

Insulation: .1 U factor both roof and walls.

Sprinkler: Wet pipe system to meet requirements of Insurance  
Services of Ohio

Electrical Entrance  
Service: 200 amp, 480 V, 3 Phase.

Lighting: 20 foot candles measured at three feet off the floor.

Heating: Gas fired unit heaters designed to maintain 60 degrees  
inside at 0 degrees outside.

Restrooms: One set of restrooms designed to meet the code  
requirements for PC Connection, Inc.'s operation. To  
include drinking fountain and janitor sink.

Office: Office space will be specifically designed to meet your  
requirements. Costs are not included in the base lease  
rate.

Exhibit B may be obtain by written request from the Registrant.

REVISED AMENDMENT NO. 1 TO LEASE

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THIS AGREEMENT MADE THIS 28th day of June, 1996, by and between MILLER-VALENTINE PARTNERS, as Lessor and PC CONNECTION, INC., as Lessee located at 2870 Old State Route 73, Wilmington, Ohio 45177.

W I T N E S S E T H :  
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WHEREAS, Lessor and Lessee entered into a Lease dated September 27, 1990, and

WHEREAS, the Lessor and Lessee desire to amend the Lease to extend the term and add a Right of First Offering.

NOW THEREFORE, the Lease is amended as follows:

1. Article 1. TERM shall be revised as follows.

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... for an additional four (4) years, for a term totaling ten (10) years, commencing on the 1st day of January 1991 and ending on the 31st day of December 2000.

2. Article 2. RENT shall be revised as follows:

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Section 1. Lessee shall continue to pay to the Lessor as

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Monthly Rent for the Leased Premises for the period of January 1, 1996 through December 31, 1996, the sum of TWELVE THOUSAND NINE HUNDRED TWENTY-FOUR AND 00/100 DOLLARS (\$12,924.00), due and payable on the first day of each month, in advance, without demand. Said rent shall be paid to the Lessor, or to the duly authorized agent for the Lessor, at its office during business hours. If the commencement date of this Lease is other than the first day of the month, any rental adjustment or additional rents hereinafter provided for shall be prorated accordingly. The Lessee will pay the rent as herein provided, without deduction whatsoever, and without any obligation of the Lessor to make demand for it. Any installment of rent accruing hereunder and any other sum payable hereunder, if not paid when due, shall bear interest at the rate of eighteen percent (18%) per annum until paid. The Basic Annual Rent of \$134,400.00 shall be adjusted annually based on any increases in the Consumer Price Index on January 1, 1997 and at the end of each year thereafter, whether during the term of this Lease or any renewal or extension thereof. Increases in the Annual Rent shall be made in accordance with the following procedure:

a. The index to be used for this adjustment shall be the Consumer Price Index (U.S. City Average, All Urban Consumers, All Items, 1982-1984

equaling a base of 100, from the U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.).

b. The Consumer Price Index of 1990 for the month of September shall be the "Base Period Consumer Price Index." The Consumer Price Index for the month of September in each adjustment year shall be the "Adjusted Period Consumer Price Index."

c. The Base Period Consumer Price Index shall be subtracted from the Adjustment Period Consumer Price Index; the difference shall be divided by the Base Period Consumer Price Index. This quotient shall then be multiplied by \$134,400.00, and the result shall then be added to \$134,400.00. The resulting sum shall be the adjusted Annual Rent for such immediately succeeding lease hold period which shall be paid in equal monthly installments.

d. If the Consumer Price Index is, at any time during the term of this Lease, discontinued by the Government, then the most nearly comparable index shall be substituted for the purpose of the aforesaid calculations.

3. Article 32. OPTION TO RENEW shall be deleted in its entirety.  
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4. Lessor agrees to grant to Lessee a Right of First Offering on any space that Lessor owns (not to exceed 25,600 square feet) that becomes available within the Airborne Commerce Park buildings during the period of October 1, 1995 through and including November 30, 1998. Lessor shall notify Lessee of any available space and Lessee shall have five (5) business day to respond to Lessor's offer in writing. Should Lessee refuse Lessor's offer to lease the available space then Lessee understands that Lessor will commence marketing efforts to lease the space to another party.

5. Except as expressly amended herein, all other terms and conditions of the Lease remain in full force and effect.

IN WITNESS WHEREOF, the Lessor and Lessee have affixed their signatures to triplicates of this Amendment, this 24th day of June, 1996, as to Lessee and this 28th day of June, 1996, as to Lessor.

Signed and acknowledged  
in the presence of:

LESSOR: MILLER-VALENTINE PARTNERS

/s/ Vernon H. Oakley  
-----  
\_\_\_\_\_

By: /s/ James M. Miller  
-----  
James M. Miller  
Title: Senior Partner  
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LESSEE: PC CONNECTION, INC.

/s/ Steven Markiewicz  
-----  
\_\_\_\_\_

By: /s/ Ronald J. Karvosky  
-----  
Title: Treasurer  
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STATE OF OHIO, COUNTY OF MONTGOMERY, SS:

The foregoing instrument was acknowledged before me this 28th day of June, 1996, by James M. Miller, Senior Partner, on behalf of MILLER-VALENTINE PARTNERS.

/s/ Sharon L. Rislund  
-----  
NOTARY PUBLIC

Sharon L. Rislund, Notary Public  
In and for the State of Ohio  
My Commission Expires Oct. 31, 1996

STATE OF NEW HAMPSHIRE, COUNTY OF CHESHIRE, SS:

The foregoing instrument was acknowledged before me this 24th day of June, 1996, by Ronald J. Karvosky, the Treasurer of PC CONNECTION, INC., a corporation on behalf of said corporation.



/s/ Steven H. Markiewicz

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NOTARY PUBLIC

Steven H. Markiewicz, Notary Public  
My Commission Expires January 7, 1997

-23-

LOWER BELLBROOK COMPANY

WAREHOUSE/DISTRIBUTION

AGREEMENT OF LEASE

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Xenia, Ohio 45385

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LOWER BELLBROOK COMPANY

-----  
WAREHOUSE/DISTRIBUTION  
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AGREEMENT OF LEASE  
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THIS LEASE made this 26th day of September, 1997, by and between LOWER BELLBROOK COMPANY, hereinafter referred to as the Lessor, and PC CONNECTION, INC., hereinafter referred to as Lessee. The Lessee's business enterprise is organized as a corporation and is admitted to do business in the State of Ohio.

W I T N E S S E T H:

The Lessor does hereby lease and let to the Lessee and the Lessee accepts from the Lessor under the terms and conditions of this Lease, the following described Premises:

Approximately 19,200 square feet of a building which contains 102,400 square feet more or less at 643-651 Lower Bellbrook Avenue, Xenia, Ohio 45385 hereinafter referred to as the Leased Premises.

ARTICLE 1. TERM.  
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TO HAVE AND TO HOLD unto the Lessee for a term of one (1) year commencing on the 1st day of October 1997, and ending on the 30th day of September 1998, both dates inclusive.

ARTICLE 2. ACCEPTANCE OF LEASED PREMISES.  
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The Leased Premises, as shown on floor plan attached hereto as Exhibit A, are delivered to the Lessee in their existing condition which the Lessee has examined and finds in a condition suitable for its use and purpose.

ARTICLE 3. POSSESSION. INTENTIONALLY OMITTED  
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ARTICLE 4. RENT.  
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Section 1. For the period commencing October 1, 1997 and ending  
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September 30, 1998, Lessee shall pay to the Lessor as Annual Rent for the Leased Premises the sum SIXTY-TWO THOUSAND FOUR HUNDRED AND 00/100 DOLLARS (\$62,400.00) which shall be paid in equal monthly installments of FIVE THOUSAND TWO HUNDRED AND 00/100 DOLLARS (\$5,200.00), due and payable on the first day of each month, in advance, without demand. Provided however, the first month's rent shall accompany the return of the signed Lease.

Checks should be made payable to Lower Bellbrook Company and sent to Lower Bellbrook Company, c/o Miller-Valentine Group, Post Office Box 744, Dayton, Ohio 45401-0744. Said rent shall be paid to the Lessor, or to the duly authorized agent of the Lessor, at its office during business hours. If the commencement date of this Lease is other than the first day of the month, any rental adjustment or additional rents hereinafter provided for shall be prorated accordingly. The Lessee will pay the rent as herein provided, without deduction whatsoever, and without any obligation of the Lessor to make demand for it. Any installment of rent accruing hereunder and any other sum payable hereunder, if not paid when due, shall bear interest at the rate of eighteen percent (18%) per annum until paid.

Section 2. The Lessee shall reimburse the Lessor for the costs

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of water, gas, and electricity (including electricity costs for exterior lighting) and all other utilities and heating and air conditioning maintenance in the event that such services are furnished by Lessor and not separately metered to the Lessee if such costs exceed fifteen dollars (\$15.00). Said reimbursement shall be additional rent due on the first day of the calendar month next following rendition of a bill therefor. If any services are separately metered, the cost shall be paid directly by the Lessee to the utility service. The heating and other utilities not separately metered will be prorated on the basis of the square footage, except water, serviced by a given meter and paid to Lessor as billed. The total costs of water shall be paid by the Lessees currently in occupancy and the costs thereof shall be prorated on the basis of square footage occupied by each Lessee. A 10% handling fee for these billable services will be charged by the Lessor.

Section 3. The Lessee agrees to pay any increased real estate

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taxes over and above the real estate taxes paid by the Lessor during the first calendar year (1997) of the term of this Lease. The Lessee's proportionate share of any such increase shall be a fraction thereof, the numerator of which is the number of square feet of floor area in the Leased Premises and the denominator of which is the total square feet of the floor area in the building both as specified aforesaid in the Lease. Said amount shall be deemed to be additional rent and shall be due and payable on the first of the month following delivery to Lessee of a receipt for Lessor's payment of said real estate taxes. The Lessee shall pay its prorated share of expenses that the Lessor shall incur by reason of compliance with new laws, orders, special rent/use taxes, charges for governmental services, ordinances and new regulations of Federal, State, County and Municipal authorities, and with any lawful direction of any public officer or officers, which lawful direction shall be imposed upon the Lessor for the common good of the occupants of the building.

ARTICLE 5. SECURITY DEPOSIT. INTENTIONALLY OMITTED

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ARTICLE 6. COMMON AREA.

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For the purpose of this Lease, common area shall be defined as all of the property described herein that is not actually occupied by the building. The Lessee shall have the use in common with other Lessees to the parking areas and driveways for ingress and egress to the Leased Premises. The Lessee shall have no right to use the common area for storage purposes and trash shall be stored only in approved containers in the common area. The Lessor shall maintain the common area and keep the same in good order and repair including lighting and landscaping. The cost of exterior lighting and ice and snow removal will be prorated among the Lessees in accordance with the percentage that the Leased Premises bear to the entire building. The pro rata share of such cost will be deemed to be additional rent and shall be due the first of the month following the invoice thereof by Lessor to Lessee of the amount due.

ARTICLE 7. USE OF LEASED PREMISES.

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Section 1. The Leased Premises shall be used and occupied only

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for office purposes and/or DISTRIBUTION AND STORAGE OF COMPUTER SOFTWARE AND COMPONENTS WHICH ARE materials of light or ordinary hazard, and for no other purpose or purposes without the written consent of the Lessor.

Section 2. The Lessee shall operate its business in a safe and

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proper manner as is normal, considering the uses of the Leased Premises above provided; and shall not manufacture, store, display or maintain any products or materials that will endanger the Leased Premises; shall do nothing that would increase the cost of insurance on the building or invalidate existing policies; SHALL NOT USE, SELL, STORE OR MANUFACTURE HAZARDOUS MATERIALS, PROVIDED THAT THIS PROVISION SHALL NOT PREVENT LESSEE FROM USING ORDINARY CLEANING AGENTS IN THE COURSE OF REGULAR MAINTENANCE OF ITS FACILITY; shall not obstruct the sidewalks; shall not use the plumbing for any other purpose than for which it was constructed; shall not make or permit any noise and/or odor objectionable to the public or adjacent occupants; shall not create a nuisance on the Leased Premises; and shall commit no waste.

Section 3. The Lessee shall abide by all police and fire

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regulations concerning the operation of its business; shall store all trash, rubbish, and debris in closed containers; and shall practice all proper procedures and methods that are common to its business enterprise. The Lessee shall maintain a minimum temperature in the Leased Premises of 55 degrees F.

ARTICLE 8. REPAIRS.

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Section 1. Lessor shall keep the foundations, exterior walls

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(except plate glass or glass or other breakable materials used in structural portions) and roof in good repair.

Section 2. Lessor shall contract for the maintenance of' the

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mechanical equipment and the Lessee will reimburse its pro rata share thereof. The Lessee shall replace any hot water heater as the need should arise with the same type and quality servicing the Leased Premises PROVIDED THE HOT WATER HEATER HAS BEEN PROPERLY SERVICED. The Lessor shall replace, as needed, the heating and air conditioning equipment, provided the unit has been serviced annually AND PROPERLY. The cost of replacement shall be prorated over the warranty period for such equipment, and further prorated among the Lessee benefiting from such equipment; the result of such proration to be an annual share of cost to Lessee, and the Lessee will pay one-twelfth thereof for each month during the remaining term and renewals of this Lease.

Section 3. Lessor shall not be liable for any damage

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occasioned by reason of the construction of the Leased Premises, that occurs after occupancy or for failure to keep the Leased Premises in repair, unless notice of the need for repairs has been given Lessor, a reasonable time has elapsed and Lessor has failed to make such repairs. Lessor shall not be liable for any damage done or occasioned by or from the electrical system, the heating and/or air condition system, the plumbing and sewer system in, above, upon or about the Leased Premises nor for damage occasioned by water, snow or ice being upon or coming through the roof, trapdoor, walls, windows, doors or otherwise, except as above provided. LESSOR SHALL NOT BE LIABLE FOR ANY DAMAGE TO THE PREMISES CAUSED BY THE NEGLIGENCE OF LESSEE OR DAMAGE CAUSED BY THE FAILURE OF LESSEE TO NOTIFY LESSOR OF THE NEED FOR REPAIRS IF LESSEE HAD ACTUAL KNOWLEDGE OF SUCH NEED FOR REPAIR. The Lessee shall reimburse the Lessor for the cost of all repairs to the Leased Premises, fixtures and appurtenances necessitated by the fault of the Lessee, its agents, employees or guests and shall reimburse the Lessor the costs of repair, at or before the end of the term or sooner if so requested by Lessor, all injury done by the installation or removal of furniture or other property.

Section 4. Except as provided in Sections 1, 2, and 3 of this

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Article, Lessor shall not be obligated to make repairs, replacements or improvements of any kind upon said Leased Premises, or any equipment facilities or fixtures therein contained, which shall at all times be kept in good order, conditions and repair by Lessee, and in a clean, sanitary and safe condition and in accordance with all applicable laws, ordinances and regulations of any governmental authority having

jurisdiction. Lessee shall permit no waste, damage, or injury to the Leased Premises.

Section 5. Lessee shall forthwith at its own cost and expense

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replace with glass of the same kind and quality any cracked or broken glass, including plate glass or glass or other breakable materials used in structural portions, and any interior and exterior windows and doors in the Leased Premises.

ARTICLE 9. INSTALLATIONS AND ALTERATIONS.

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Section 1. Lessee shall not make any alterations or additions

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to the Leased Premises without first procuring Lessor's written consent WHICH WILL NOT BE UNREASONABLY WITHHELD and delivering to Lessor the plans and specifications and copies of the proposed contracts and necessary permits, and shall furnish indemnification against liens, costs, damages and expenses as may be reasonably required by Lessor. LESSEE SHALL HAVE THE OPTION OF REMOVING ANY OF THE ALTERATIONS, ADDITIONS, IMPROVEMENTS AND FIXTURES AT THE END OF THE LEASE PERIOD UNLESS REMOVAL WILL CAUSE DAMAGE TO THE PREMISES; ALL REMOVAL SHALL TAKE PLACE BY THE END OF THE LEASE PERIOD. Any linoleum or other floor covering of similar character which may be cemented or otherwise adhesively affixed to the floor shall likewise become the property of Lessor, all without compensation or credit to Lessee.

Section 2. The Lessee shall not erect or install any signage

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without first procuring Lessor's written consent WHICH WILL NOT BE REASONABLY WITHHELD.

Section 3. The Lessee shall have no rights to use and shall not

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use the roof of the Leased Premises for any purpose without the written consent of the Lessor. The Lessee shall not use the roof for storage, for any activity that will result in traffic on the roof, for anything that will penetrate the roof, use the roof as an anchor or otherwise damage the roof. The consent of the Lessor must be in writing for each specific use and must also approve the method of installation of the permitted use. Should the Lessee break this covenant, the Lessee shall be responsible for any damages caused to the roof or other parts of the building and shall assume the cost of maintaining and repairing the roof during the term of the Lease, including any renewals.

ARTICLE 10. INDEMNIFICATION.

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Except to the extent of the negligence or misconduct of Lessor, Lessee agrees to indemnify and hold Lessor harmless against and from any and all claims, damages, costs, and expenses, including reasonable attorney's fees, arising out of



Lessee's use or occupancy of the Leased Premises. Except to the extent of Lessee's negligence or misconduct, Lessor agrees to indemnify and hold Lessee harmless against and from any and all claims, damages, costs, and expenses, including reasonable attorney's fees, arising out of Lessor's failure to perform its duties and obligations as owner or agent of the owner of the property of which the Leased Premises is a part.

ARTICLE 11. INSURANCE.

Section 1. Lessee shall not carry any stock of goods or do

anything in or about said Leased Premises which CONSTITUTES HAZARDOUS MATERIAL OR ACTIVITY. If Lessor shall consent to such use, Lessee agrees to reimburse Lessor on a pro rata basis for any increase in premiums for insurance against loss by fire or extended coverage risks resulting from the business carried on in the Leased Premises by Lessee. If Lessee installs any electrical equipment that overloads the power lines to the building, Lessee shall at its own expense make whatever changes are necessary to comply with the requirements of insurance underwriters and insurance rating bureaus and governmental authorities having jurisdiction.

Section 2. Lessee agrees to procure and maintain a policy or

policies of insurance, at its own costs and expense, insuring from all claims, demands or actions for injury to or death of one or more persons in any one accident and for damages to property in an aggregate amount of not less than \$2,000,000 made by or on behalf of any person or persons, firm or corporation, arising from, related to, or connected with the conduct and operation of Lessee's business in the Leased Premises. Lessor shall be named an Additional Insured Party in said policy. Such insurance shall be primary relative to any other valid and collectible insurance. Said insurance shall not be subject to cancellation except after at least thirty (30) days prior written notice to Lessor, and the policy or policies, or duly executed certificate or certificates for the same, OR OTHER PROPER EVIDENCE OF THE SAME, together with satisfactory evidence of the payment of the premium thereon, shall be deposited with Lessor at the commencement of the term and renewals of such coverage. If Lessee fails to comply with such requirement, Lessor may obtain such insurance and keep the same in effect, and Lessee shall pay Lessor the premium cost thereof upon demand.

Section 3. All property which may be upon said Leased Premises

during the term hereof or any renewal thereof shall be at and upon the sole risk and responsibility of Lessee.

ARTICLE 12. DAMAGE BY FIRE OR OTHER CASUALTY.

Section 1. If the Leased Premises shall be destroyed or so

injured by any cause as to be unfit, in whole or in part, for occupancy and such destruction or

injury could reasonably be repaired within three (3) months from the happening of such destruction or injury, then Lessee shall not be entitled to surrender possession of the Leased Premises nor shall Lessee's liability to pay rent under this Lease cease without mutual consent of the parties hereto, but in case of any such destruction or injury Lessor shall repair the same with all reasonable speed and shall complete such repairs within three (3) months from the happening of such injury, and if during such period Lessee shall be unable to use all or any portion of the Leased Premises, a proportionate allowance shall be made to Lessee from the rent corresponding to the time during which and to the portion of the Leased Premises of which Lessee shall be so deprived of the use on account thereof.

Section 2. If such destruction or injury cannot reasonably be

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repaired within three (3) months from the happening thereof, Lessor shall notify Lessee within ten (10) days after the happening of such destruction or injury whether or not Lessor will repair or rebuild. If Lessor elects not to repair or rebuild, this Lease shall be terminated. If Lessor shall elect to repair or rebuild, Lessor shall specify the time within which such repairs or reconstruction will be complete, and Lessee shall have the option, within ten (10) days after the receipt of such notice, to elect either to terminate this Lease and further liability hereunder, or to extend the term of the Lease by a period of time equivalent to the time from the happening of such destruction or injury until the Leased Premises are restored to their former condition. In the event Lessee elects to extend the term of the Lease, Lessor shall restore the Leased Premises to their former condition within the specified time in the notice, and Lessee shall not be liable to pay rent for the period from the time of such destruction or injury until the Leased Premises are so restored to their former condition.

ARTICLE 13. EMINENT DOMAIN.

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Section 1. If the whole or substantially all of the Leased

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Premises hereby leased shall be taken by a public authority under the power of eminent domain, then the term of this Lease shall cease as of the day possession shall be taken by such public authority, and the rent shall be paid up to that date with a proportionate refund by Lessor of such rent as shall have been paid in advance.

Section 2. If less than substantially all of the floor area

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of the Leased Premises shall be so taken PROVIDED THAT THE AREA REMAINING IS ADEQUATE FOR LESSOR'S BUSINESS PURPOSES, the term of this Lease shall cease only on the parts so taken as of the day possession shall be taken by such public authority, and the rent shall be paid up to that day with a proportionate refund by Lessor of such rent as may have been paid in advance, and thereafter the minimum rent shall be equitably abated, and Lessor shall at its own cost and expense make all necessary repairs or alterations as to constitute the remaining Leased Premises a complete architectural unit.

Section 3. All damages awarded for such taking under the power  
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of eminent domain, whether for the whole or a part of the Leased Premises, shall be the property of Lessor whether such damages shall be awarded as compensation for diminution in value of the leasehold or to the fee of the Leased Premises; provided, however, that the Lessor shall not be entitled to any separate award made to Lessee for loss of business, depreciation to and cost of removal of stock and fixtures.

ARTICLE 14. ASSIGNMENT OR SUBLETTING.  
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Section 1. Lessee shall not assign or in any manner transfer  
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this Lease or any interest therein, nor sublet said Leased Premises or any part or parts thereof, nor permit occupancy by anyone with, through, or under it, without the previous written consent of Lessor which consent shall not be unreasonably withheld. Consent by Lessor to one or more assignments of this Lease or to one or more sublettings of the Leased Premises shall not operate as a waiver of Lessor's rights under this Article to any subsequent assignment or subletting. No assignment shall release Lessee of any of its obligations under this Lease or be construed or taken as a waiver of any of Lessor's rights or remedies hereunder.

Section 2. Neither this Lease nor any interest therein, nor any  
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estate thereby created, shall pass to any trustee or receiver in bankruptcy or any assignee for the benefit of creditors or by operation of law.

Section 3. Provided that the Lessee with Lessor's consent  
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assigns or sublets part or all of the Leased Premises at a rental that exceeds the current rental herein reserved, the Lessor shall be entitled to receive as additional rental one-half of such excess of the current rental. The Lessee shall remit one-half of such excess within five (5) days after receipt by it.

ARTICLE 15. ACCESS TO LEASED PREMISES.  
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The Lessor shall retain duplicate keys to all of the doors of the Leased Premises. THE LESSOR OR ITS AGENTS SHALL HAVE THE RIGHT TO ENTER UPON THE LEASED PREMISES ONLY IN THE EVENT OF AN EMERGENCY. THE LESSOR OR ITS AGENTS SHALL HAVE THE RIGHT TO ENTER UPON THE LEASED PREMISES AT REASONABLE HOURS FOR THE PURPOSE OF INSPECTING THE SAME OR MAKING REPAIRS ONLY UPON REASONABLE NOTICE TO LESSEE. LESSOR MAY SHOW THE LEASED PREMISES TO PROSPECTIVE LESSEES OR PURCHASERS FROM TIME TO TIME DURING THE LEASE TERM, AT A TIME AGREEABLE TO LESSEE. LESSEE MAY REFUSE SHOWING TO PERSONS REASONABLY BELIEVED TO BE GATHERING INFORMATION FOR COMPETITIVE BUSINESS PURPOSES.

ARTICLE 16. ATTORNMEN.T.

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In the event the Leased Premises are sold or transferred due to any foreclosure sale or sales, judicial proceedings, or voluntary conveyance in lieu of such foreclosure, or in the event the Premises are transferred by any mortgagee in a sale, exchange or otherwise, this Lease shall continue in full force and effect, and Lessee agrees, upon request, to attorn to and acknowledge the foreclosure purchaser or purchasers at such sale, or other party succeeding to the interest of Lessor, as Lessors hereunder. This Lease will, upon request of any person owning or succeeding to the interest of Lessor, automatically become a direct lease between said owner or successor and Lessee, without change in the terms or the provisions of this Lease. Upon request by said owner or successor in interest, Lessee shall execute and deliver an instrument or instruments confirming such attornment.

If the successor Lessor requests such attornment, then so long as Lessee shall faithfully discharge the obligations on its part to be kept and performed under the terms of this Lease, Lessee's tenancy will not be disturbed nor this Lease affected by any default under any mortgage. Lessee agrees that this Lease shall remain in full force and effect even though default in the mortgage may occur.

ARTICLE 17. LESSEE'S DEFAULT.

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Section 1. The Lessee, ten (10) days after receipt of written

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notice, shall be considered in default of this Lease upon failure to pay when due the rent or any other sum required by the terms of the Lease. The Lessee, thirty (30) days after receipt of written notice, shall be considered in default of this Lease upon failure to perform any term, covenant or condition of this Lease; the commencement of any action or proceeding for the dissolution, liquidation or reorganization under the Bankruptcy Act, of Lessee, or for the appointment of a receiver or trustee of the Lessee's property; the making of any assignment for the benefit of creditors by Lessee; the suspension of business; or the abandonment of the Leased Premises by the Lessee.

Section 2. In the event of default of this Lease by Lessee,

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then LESSEE SHALL QUIT AND SURRENDER THE PREMISES WITHIN TEN (10) DAYS OF SUCH DEFAULT. IF AFTER THE TEN (10) DAY PERIOD LESSEE HAS NOT QUIT THE PREMISES, THEN LESSEE SHALL BE RESPONSIBLE FOR ALL DAMAGES AND COSTS OF EVICTION THEREAFTER, INCLUDING REASONABLE ATTORNEY'S FEES.

Section 3. No such reentry or taking possession of said Leased

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Premises by Lessor shall be construed as an election on its part to terminate this Lease, unless a written notice of such intention be given to Lessee or unless the

termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Lessor may at any time thereafter elect to terminate this Lease for such previous breach or act of default. Should Lessor at any time terminate this Lease for any breach or act of default, in addition to any other remedy it may have, it may recover from Lessee all damages it may incur by reason of such breach or act of default, including the cost of recovering the Leased Premises, legal fees, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable rental value of the Leased Premises for the remainder of the stated term.

ARTICLE 18. SURRENDER OF LEASED PREMISES.  
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Section 1. If Lessee holds possession of the Leased Premises  
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after the termination of this Lease for any reason, Lessee shall pay Lessor double the last monthly rent provided for herein for each month or a portion of a month that Lessee holds over, together with all other charges due hereunder. Such payment of rent shall not create any Lease arrangement whatsoever between Lessor and Lessee, unless expressly agreed to in writing by Lessor. It is further understood that during such period that Lessee holds over, the Lessor retains all of Lessor's rights under this Lease, including damages as a result of the termination of this Lease and the right to immediate possession of the Leased Premises. This paragraph shall not be construed to grant Lessee permission to hold over.

Section 2. At the expiration of the tenancy created hereunder,  
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whether by lapse of time or otherwise, Lessee shall surrender the Leased Premises broom clean, free of tire marks, free of all debris and in good condition and repair, reasonable wear and loss by fire or other unavoidable casualty excepted.

Section 3. Prior to surrender of the Leased Premises, the  
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Leased Premises will be reviewed by a representative of the Lessor and Lessee to determine if there is any deferred maintenance or unrepaired damage. In the event that there is deferred maintenance and/or unrepaired damage, Lessor may effect such maintenance and repairs, and Lessee will pay the cost thereof.

Section 4. Upon the expiration of the tenancy hereby created,  
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if Lessor so requests in writing, Lessee shall promptly remove any additions, fixtures, cabling for phone lines, fax lines, etc., and installations placed in the Leased Premises by Lessee that is designated in said request, and repair any damage occasioned by such removals at its own expense, and in default thereof, Lessor may effect such removals and repairs, and Lessee shall pay Lessor the cost thereof, with interest at the rate of eight (8) percent per annum from the date of payment by Lessor.

ARTICLE 19. RELOCATION.  
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The Lessor reserves the right, at any time during the term of this Lease, to request in writing that the Lessee relocate to other such space, area or floor within the said building or building complex as the Lessor may deem advisable or necessary. The new Leased Premises shall contain the same approximate square footage of rentable area as the former Leased Premises. Lessee shall have thirty (30) days from the date of Lessor's request to accept the new Leased Premises. If accepted, Lessor shall remodel the new Leased Premises to be as nearly as possible similar, in layout and finish as the former Leased Premises. Upon completion of remodeling by Lessor and delivery of possession, Lessee shall relocate in the new Leased Premises and vacate the former Leased Premises. Except for the change in designation of Leased Premises, all provisions of this Lease shall remain the same. The Lessor shall pay the cost of relocating the Lessee into the new Leased Premises, including a reasonable cost of address changes for supplies if necessary. If the Lessee refuses to accept the new Leased Premises, THE LESSEE SHALL CONTINUE TO OCCUPY AND LEASE THE PRESENT LEASED PREMISES WITHOUT PREJUDICE AND THE TERMS AND CONDITIONS OF THIS LEASE SHALL CONTINUE IN FULL FORCE AND EFFECT FOR THE DURATION OF THE LEASE PERIOD OR RENEWAL THEREOF.

ARTICLE 20. SUBORDINATION.  
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This Lease shall be subject to and subordinate at all times to the lien of any mortgages, now or hereafter made on the Leased Premises, and to all advances made or hereafter to be made thereunder. The Lessee agrees to execute a subordination agreement should Lessor's lender request same.

ARTICLE 21. NOTICE.  
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All notices under this Lease may be personally delivered; sent by courier service, with receipt; or mailed to the address shown by certified mail, return receipt requested. The effective date of any mailed notice shall be one (1) day after delivery of the same to the United States Postal Service.

Lessor: Lower Bellbrook Company  
Mail: c/o Miller-Valentine Group  
P. O. Box 744  
Dayton, Ohio 45401-0744  
Courier: 4000 Miller-Valentine Court  
Moraine, OH 45439  
  
Lessee: PC Connection, Inc.

Mail:        Attn: \_\_\_\_\_  
                                 \_\_\_\_\_  
                                 \_\_\_\_\_

Either party may from time to time designate in writing other addresses.

ARTICLE 22.     WAIVER OF SUBROGATION.  
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The Lessor and Lessee waive all rights, each against the other, for damages caused by fire or other perils covered by insurance where such damages are sustained in connection with the occupancy of the Leased Premises.

ARTICLE 23.     ESTOPPEL CERTIFICATE.  
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The Lessee agrees to execute an Estoppel Certificate within ten (10) days of receipt of a written request by the Lessor for the benefit of any purchaser and/or prospective Lender designated by Lessor as well as Lessor's present Lender; that wherein the Lessee acknowledges the terms and conditions of this Lease.

ARTICLE 24.     RENT DEMAND.  
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Every demand for rent due wherever and whenever made shall have the same effect as if made at the time it falls due and at the place of payment, and after the service of any notice or commencement of any suit, or final judgment therein, Lessor may receive and collect any rent due, and such collection or receipt shall not operate as a waiver of nor affect such notice, suit or judgment.

ARTICLE 25.     NO REPRESENTATION BY LESSOR.  
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Lessor and its agent have made no representations or promises with respect to the Leased Premises or the building of which the same form a part except as herein expressly set forth.

ARTICLE 26.     WAIVER OF BREACH.  
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No waiver of any breach of the covenants, provisions or conditions contained in this Lease shall be construed as a waiver of the covenant itself or any subsequent breach itself, and if any breach shall occur and afterwards be compromised, settled or adjusted, this Lease shall continue in full force and effect as if no breach had occurred, unless otherwise agreed. The acceptance of rent hereunder shall neither be or construed to be a waiver of any breach of any term, covenant or condition of this Lease.

ARTICLE 27. QUIET ENJOYMENT.

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Lessor hereby covenants and agrees that if Lessee shall perform all the covenants and agreements herein stipulated to be performed on Lessee's part, Lessee shall at all times during the continuance hereof have the peaceable and quiet enjoyment and possession of the Leased Premises without any manner of let or hindrance from Lessor or any person or persons lawfully claiming the Leased Premises except as otherwise provided for herein.

ARTICLE 28. ENVIRONMENTAL PROVISIONS.

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Section 1. The Lessor, to the best of its knowledge, represents

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to the Lessee that no toxic, explosive or other dangerous materials or hazardous substances have been concealed within, buried beneath, released on or from, or removed from and stored off-site of the Property upon which the Leased Premises is constructed.

Section 2. Lessee shall at all times during the term of this

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Lease comply with all applicable federal, state, and local laws, regulations, administrative rulings, orders, ordinances, and the like, pertaining to the protection of the environment, including but not limited to, those regulating the handling and disposal of waste materials. Further, during the term of this Lease, neither Lessee nor any agent or party acting at the direction or with the consent of Lessee shall treat, store, or dispose of any "hazardous substance," as defined in Section 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), or petroleum (including crude oil or any fraction thereof) on or from the Property.

Section 3. Lessee shall fully and promptly pay, perform,

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discharge, defend, indemnify and hold harmless Lessor from any and all claims, orders, demands, causes of action, proceedings, judgments, or suits and all liabilities, losses, costs or expenses (including, without limitation, technical consultant fees, court costs, expenses paid to third parties and reasonable legal fees) and damages arising out of, or as a result of, (i) any "release" as defined in Section 101(22) of CERCLA, of any "hazardous substance," as defined in Section 101(14) of CERCLA, or petroleum, (including crude oil or any fraction thereof) or placed into, on or from the Property at any time after the date of this Lease by Lessor, its agents, or employees; (ii) any contamination of the Property's soil or groundwater or damage to the environment and natural resources of the Property the result of actions occurring after the date of this Lease, whether arising under CERCLA or other statutes and regulations, or common law by Lessee, its agents, or employees; and (iii) any toxic, explosive or otherwise dangerous materials or hazardous substances which have been buried beneath, concealed within or released on or from the Property after the date of this Lease. THIS SUBSECTION SHALL APPLY ONLY IN THE EVENT ANY OF THE



SAID ACTS WERE ACTUALLY UNDERTAKEN BY THE LESSEE, LESSEE'S SUPPLIERS OR UNDERTAKEN ON LESSEE'S BEHALF.

ARTICLE 29. INTERPRETATION.  
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Section 1. Wherever either the word "Lessor" or "Lessee" is  
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used in the Lease, it shall be considered as meaning the singular and/or neuter pronouns as used herein, and the same shall be construed as including all persons and corporations designated respectively as Lessor or Lessee in the heading of this instrument wherever the context requires.

Section 2. If any clause, sentence, paragraph, or part of this  
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Lease shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not effect, impair, or invalidate the remainder of this Lease, but be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered, and in all other respects said Lease shall continue in full force and effect.

ARTICLE 30. FINANCIAL STATEMENTS.  
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At Lessor's request, the Lessee, within thirty (30) days of Lessor's request, shall furnish the Lessor OR LESSOR'S MORTGAGEE WITH FINANCIAL REFERENCES AND SUCH LIMITED FINANCIAL INFORMATION AS IT DEEMS REASONABLE TO PROVIDE LESSOR WITH COMFORT THAT LESSEE HAS THE ABILITY TO MEET ITS OBLIGATIONS HEREUNDER.

ARTICLE 31. AMERICANS WITH DISABILITIES ACT COMPLIANCE.  
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Notwithstanding anything set forth herein to the contrary, Lessor shall be solely responsible and liable for making any modifications to the exterior of the Building (including the exterior doors and entrances leading to the Leased Premises) that may be required to comply with the Americans with Disabilities Act of 1990 as it may be amended from time to time ("ADA"). Lessee, at its sole cost and expense, shall remove any barriers or provide such accommodations as may be necessary for the interior of the Leased Premises to comply with the ADA. Any structural alterations or renovations that the Lessee may make to the Premises, as permitted under this Lease, shall comply with the accessibility standards and regulations of the ADA. If the Lessee fails to fulfill its obligations under this Article, the Lessor may elect to provide the modifications and renovations required pursuant to the ADA and seek reimbursement from the Lessee. Should the Lessor incur any such expenses for the obligations of Lessee, the amount of such expenses may, at the Lessor's option, be added to the rent due from the Lessee under the terms of this Lease. Lessor and Lessee hereby mutually indemnify and hold each other harmless against any and all liability, losses, fines or other penalties that may be incurred or assessed against the

other, including reasonable attorney fees, due to the failure of the other to adhere to their respective obligations under this Article of the Lease.

ARTICLE 32. MEMORANDUM OF LEASE.  
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It is agreed by both parties that this instrument is not recordable and if either party should record the same in the Office of the Recorder of Greene County, Ohio, the recording shall have no effect. When possession of the Leased Premises has been delivered to Lessee, the parties hereto may execute, acknowledge and deliver a Memorandum of Lease in recordable form specifying the terms of this Lease and renewal periods of this Lease. In the event they differ from the dates herein, the date in the Memorandum shall control.

ARTICLE 33. TIME.  
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Time is of the essence in this Lease.

ARTICLE 34. OPTION TO RENEW.  
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Lessee is hereby granted an option to renew this Lease for TWO additional TERMS of one (1) year EACH on the same terms and conditions contained herein except for the rental and the length of the term, upon the conditions that:

a. written notice of the exercise of such option shall be given by Lessee to Lessor not less than ninety (90) days prior to the end of the term of this Lease; and

b. at the time of the giving of such notice and at the expiration of the term of this Lease, there are no defaults in the covenants, agreements, terms and conditions on the part of Lessee to be kept and performed, and all rents are and have been fully paid. Provided also, that the rent to be paid during each year of the said renewal period shall be as determined in accordance with the following:

For the period commencing October 1, 1998 and ending September 30, 1999, Lessee shall pay to the Lessor as Annual Rent for the Leased Premises the sum of SIXTY-FOUR THOUSAND THREE HUNDRED TWENTY AND 00/100 DOLLARS (\$64,320.00) which shall be paid in equal monthly installments of FIVE THOUSAND THREE HUNDRED SIXTY AND 00/100 DOLLARS (\$5,360.00), due and payable on the first day of each month, in advance, without demand.

FOR THE PERIOD COMMENCING OCTOBER 1, 1999 AND ENDING SEPTEMBER 30, 2000, LESSEE SHALL PAY TO THE LESSOR AS ANNUAL RENT FOR THE LEASED PREMISES THE SUM OF SIXTY-SIX THOUSAND TWO HUNDRED FORTY AND 00/100 DOLLARS (\$66,240.00) WHICH SHALL BE PAID IN EQUAL MONTHLY INSTALLMENTS OF FIVE

THOUSAND FIVE HUNDRED TWENTY AND 00/100 DOLLARS (\$5,520.00), DUE AND PAYABLE ON THE FIRST DAY OF EACH MONTH, IN ADVANCE, WITHOUT DEMAND.

ARTICLE 35. RIGHT OF FIRST OFFERING ON CURRENTLY OCCUPIED SPACE.  
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If currently occupied space at 635-639 Bellbrook Avenue, Xenia, Ohio (12,800 square feet) becomes available during this lease term or options hereof, and at the time of giving such notice there are no defaults on the covenants, agreements, terms and conditions on the part of the Lessee to be kept and performed, and all rents are and have been fully paid, Lessor shall notify Lessee of its availability in writing and Lessee shall have five (5) business days from the date of Lessor's notice to Lessee to advise Lessor in writing that Lessee accepts such space offered and agrees that it shall become a part of the Leased Premises. The base rent for the space offered and the approximate date possession is to be delivered shall be included in Lessor's notice to Lessee. Should Lessee not accept the offering, then the provisions of this paragraph shall be void.

ARTICLE 36. ENTIRE AGREEMENT.  
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This Lease contains the entire agreement between the parties; it supersedes all previous understandings and agreements between the parties, if any, and no oral or implied representation or understandings shall vary its terms; and it may not be amended except by a written instrument executed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto set their hands to triplicates hereof, this 26th day of September, 1997, as to Lessor, and this 24th day of September, 1997, as to Lessee.

Signed and acknowledged LESSOR: LOWER BELLBROOK COMPANY  
in the presence of: AN OHIO GENERAL PARTNERSHIP  
BY MILLER-VALENTINE PARTNERS  
ITS GENERAL PARTNER

/s/ Vernan H. Oddery By: /s/ James M. Miller  
-----  
James M. Miller  
/s/ Michelle Athinson Its: General Partner  
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LESSEE: PC CONNECTION, INC.

/s/ Celeste S. Connor By: /s/ Philip Blaisdell  
-----

/s/ Celeste S. Connor           Its:     Philip Blaisdell  
-----  
         (Witness)                             Owner Representative

STATE OF OHIO                    )  
                                  ) ss:  
COUNTY OF MONTGOMERY         )

The foregoing instrument was acknowledged before me this 26th day of September, 1997, by James M. Miller, General Partner on behalf of LOWER BELLBROOK COMPANY, an Ohio general partnership.

/s/ Sharon L. Rislund  
-----  
Notary Public  
  
Sharon L. Rislund, Notary Public  
In and for The State of Ohio  
My Commission Expires Nov. 4, 2001

STATE OF NEW HAMPSHIRE         )  
                                  ) ss:  
COUNTY OF HILLSBOROUGH      )

The foregoing instrument was acknowledged before me this 24th day of September, 1997, by Philip Blaisdell, the Owner Representative of PC CONNECTION, INC., a corporation, on behalf of said corporation.

/s/ Celeste S. Connor  
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Notary Public  
  
Celeste S. Connor, Notary Public  
My Commission Expires January 22, 2002

Exhibits may be obtained by written request from the Registrant.

## LEASE

Lease made May 1, 1997 by and between Gallup & Hall partnership with offices at 528 Route 13 South, Milford, New Hampshire (Landlord) and PC Connection, Inc., a New Hampshire corporation with offices at 528 Route 13 South, Milford, New Hampshire (Tenant).

In consideration of the mutual covenants herein contained, the Landlord agrees to lease to Tenant and the Tenant agrees to lease from Landlord, the following described premises under the following conditions:

1. PREMISES. The premises to be leased consist of two adjoining parcels known as 442 Marlboro Street in Keene, New Hampshire and an approximately 1,152 square foot building situated thereon together with any parking spaces thereon, further described in a deed dated May 8, 1997 and recorded at Volume 1598, Page 595 in the Cheshire County Registry of Deeds.

2. TERM. The Lease shall commence on the date hereof and shall continue in force for five (5) years, terminating on April 31, 2002.

3. RENT. Tenant shall pay as rent to the Landlord an annual sum of \$45,000.00 per year, payable as follows:

- (a) A payment of \$90,000.00 upon execution of this Lease, representing prepayment of the first two years of the Lease.
- (b) A monthly payment of \$3,750.00 due on the first day of the month during each of years 3, 4, and 5 of the Lease.

4. POSSESSION. Tenant shall have possession of the premises upon execution of the Lease.

5. COVENANTS. Landlord warrants that it is the true owner of record of the Premises. Landlord covenants that so long as Tenant pays the rent and performs its covenants, Tenant shall peaceably and quietly have, hold, enjoy and have the exclusive use of the premises for the term provided.

Tenant covenants that it will undertake only lawful business on the premises and that it will comply with all applicable laws and regulations, and that it will not operate any business so as to constitute a nuisance. Tenant covenants that at the end of the Lease term, or the renewal period, it will return the premises to the Landlord in its original condition, subject to reasonable wear and tear and subject to such improvements that Tenant does not remove.

6. IMPROVEMENTS. Tenant may make reasonable improvements to the premises including office fix-up and the erection of signs, at its expense. Tenant shall promptly pay for all material and labor for said improvements and shall have the option of removing any of the improvements at the end of the Lease period unless removal will cause damage to the premises; all removal shall take place no later than 30 days after the end of the Lease period. Tenant shall make no structural changes to the building without the prior written consent of the Landlord.

7. ASSIGNMENT. Tenant may assign this Lease to its subsidiary, sister or parent corporation; notice of which will be given to Landlord. Tenant will not otherwise assign or sublet this Lease without the Landlord's consent; which consent it will not unreasonably withhold. Landlord may assign this Lease to banks or other financial institutions for the purpose of securing loans made by it.

8. REPAIR. Landlord shall keep the buildings' roof and structure in good repair. Tenant shall make all other necessary repairs to the premises, including the heating, electrical and plumbing systems. Reasonable wear and tear shall be allowed.

9. UTILITIES. Tenant shall pay all utilities and services including water and sewer charges, snow removal, trash removal, lawn mowing, janitorial, heat, electricity, telephone and any other utility.

10. TAX. Tenant shall be responsible for all real property taxes assessed against the premises.

11. INSURANCE. Tenant shall maintain adequate fire and extended hazard insurance (all risk policy) on the building and shall maintain adequate insurance on its contents and property on the premises, including improvements within the building. Tenant and Landlord shall each maintain adequate general liability insurance, with waivers of subrogation. Policies of insurance shall be presented for review upon the reasonable request of the other party.

12. EMINENT DOMAIN. If there is any taking by eminent domain that materially affects Tenant's use and enjoyment of the premises, this Lease shall, at the option of Tenant, terminate when title vests with the taking authority. Tenant shall have the right to present claims for its damages to the taking authority. Rent shall be apportioned as of the date of termination, and any sums of Tenant held by Landlord shall be returned.

13. TERMINATION. If Tenant defaults in the payment of rent, Landlord may notify Tenant, in writing of such default. If Tenant does not cure the rent default within 15 days of such notice, then Landlord may give Tenant a 30 day written notice

of termination. If at the end of the 30 days, Tenant has not cured the rent default, Landlord may declare this Lease terminated, and Tenant shall quit and surrender the premises. If after the 30 day period Tenant has not quit the premises, then Tenant shall be responsible for all costs of eviction thereafter, including attorney's fees.

14. DAMAGE. If the building is damaged by fire or other hazard or any other cause, so that the damage equals or exceeds 10% of the replacement value of the building or the premises cannot be reasonably used for the purposes for which they were leased, then Tenant, no later than 15 days following the damage, may elect to terminate the Lease upon 30 days written notice. If Tenant elects not to terminate the Lease, then the rent shall be reasonably reduced to reflect the reduction in use of the premises. If the damage equals or exceeds 50% of the replacement value of the building, Landlord, no later than 15 days following the damage, may elect to terminate the Lease upon 30 days written notice. If Landlord elects not to terminate the Lease, then repair and restoration of the premises will be made as soon as possible, during which time the rent shall be reduced to reflect the reduction in use of the premises; rent shall be abated if no use can be made of the building during that time.

15. SHOWING. Landlord may show the premises from time to time during the lease term, at a time agreeable to Tenant.

16. HOLD HARMLESS. Tenant agrees to save the Landlord harmless from and indemnify Landlord against, any and all claims, actions or damages resulting from any act omission, or negligence of Tenant or subtenant taking place within the building or directly caused by Tenant or its agent on the premises, or in connection with making any improvements, unless any such claim, action or damage results from any act, omission or negligence of a third party on the premises, not on business with the Tenant. Landlord agrees to save the Tenant harmless from and indemnify Tenant against, any and all claims actions or damages resulting from any act, omission or negligence of Landlord or its agent.

17. GENERAL. This Lease represents the entire and exclusive understanding between the parties. This Lease shall be binding on the parties, their heirs, legal representatives, assigns and successors. Failure to exercise any rights herein shall not prejudice the parties in any future exercise of their rights.

IN WITNESS WHEREOF: The Parties hereto have set their hands on the date first written, at Milford, New Hampshire.



Gallup & Hall (Landlord)

/s/ Steve Markiewicz  
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By: /s/ David Hall  
-----  
David Hall, Partner

PC Connection, Inc. (Tenant)

/s/ Steve Markiewicz  
-----

By: /s/ Wayne Wilson  
-----  
Wayne Wilson, Senior Vice President

## LEASE

Lease made June 1, 1987, by and between GALLUP & HALL partnership with offices at 6 Mill Street, Marlow, New Hampshire (Landlord) and PC CONNECTION, INC., a New Hampshire corporation located at 6 Mill Street, Marlow, New Hampshire (Tenant).

In consideration of the mutual covenants herein contained, the Landlord agrees to lease to Tenant and the Tenant agrees to lease from Landlord, the following described premises under the following conditions:

1. PREMISES. The premises to be leased consist of those parcels of land known as lots 1, 2 and 3 on a Deed dated May 9, 1984, recorded at Vol. 1061, P. 90 of the Cheshire County Registry of Deeds, located in Marlow, New Hampshire, together with the Christmas Trees Inn, an approximate 12,000 square foot building situated thereon, together with any parking space on the parcels.

2. TERM. The Lease shall commence on June 1, 1987 and shall continue in force for twenty (20) years, terminating on May 31, 2007.

3. RENT. Tenant shall pay as rent to the Landlord, based on \$6.00 per square foot, the sum of \$6,000 per month, payable in advance, during the first three (3) years of the Lease. For the next three (3) years, and again every three (3) years thereafter until the termination of the Lease, the rent shall be increased the same percentage as the increase in the Consumer Price Index (CPI) for the Boston Metropolitan Area. If the CPI remains the same or decreases, the rent payable herein shall remain the same as the preceding three (3) year period. In the event the CPI is no longer reported, an equivalent measure will be used. Currently the CPI is

4. POSSESSION. Tenant currently has possession of the premises and shall continue to have possession of the premises upon the execution of this Lease.

5. COVENANTS. Landlord warrants that it is the true owner of record of the Premises. Landlord covenants that so long as Tenant pays the rent and performs its covenants, Tenant shall peaceably and quietly have, hold, enjoy and have the exclusive use of the premises for the term provided.

Tenant covenants that it will undertake only lawful business on the premises and that it will comply with all applicable laws and regulations, and that it will not operate any business so as to constitute a nuisance. Tenant covenants that at the end of the Lease term, or the renewal period, it will

return the premises to the Landlord in its original condition, subject to reasonable wear and tear and subject to such improvements that Tenant does not remove.

6. IMPROVEMENTS. Tenant may make reasonable improvements to the premises including the erection of signs, at its expense. Tenant shall promptly pay for all material and labor for said improvements and shall have the option of removing any of the improvements at the end of the Lease period unless removal will cause damage to the premises; all removal shall take place no later than 30 days after the end of the Lease period. Tenant shall make no structural changes to the building without the prior written consent of the Landlord.

7. ASSIGNMENT. Tenant may assign this Lease to its subsidiary, sister or parent corporation; notice of which will be given to Landlord. Tenant will not otherwise assign or sublet this Lease without the Landlord's consent; which consent it will not unreasonably withhold.

8. REPAIR. Landlord shall keep the buildings' roof and structure in good repair; Tenant shall make all other necessary repairs to the premises, including the heating, electrical and plumbing systems. Reasonable wear and tear shall be allowed.

9. UTILITIES. Tenant shall pay all utilities and services including water and sewer charges, snow removal, trash removal, lawnmowing, janitorial, heat, electricity, telephone and any other utility.

10. TAX. Landlord shall be responsible for all real property taxes assessed against the premises.

11. INSURANCE. Landlord shall maintain adequate fire and extended hazard insurance (all risk policy) on the building. Tenant shall maintain adequate insurance on its contents and property on the premises, including improvements within the building. Tenant and Landlord shall each maintain adequate general liability insurance, with waivers of subrogation. Policies of insurance shall be presented for review upon the reasonable request of the other party.

12. EMINENT DOMAIN. If there is any taking by eminent domain that materially affects Tenant's use and enjoyment of the premises, this Lease shall, at the option of Tenant, terminate when title vests with the taking authority. Tenant shall have the right to present claims for its damages to the taking authority. Rent shall be

apportioned as of the date of termination, and any sums of Tenant held by Landlord shall be returned.

13. TERMINATION. If Tenant defaults in the payment of rent, Landlord may notify Tenant, in writing, of such default. If Tenant does not cure the rent default within 15 days of such notice, then Landlord may give Tenant a 30 day written notice of termination. If at the end of the 30 days, Tenant has not cured the rent default, Landlord may declare this Lease terminated, and Tenant shall quit and surrender the premises. If after the 30 day period Tenant has not quit the premises, then Tenant shall be responsible for all costs of eviction thereafter, including attorney's fees.

14. DAMAGE. If the building is damaged by fire or other hazard or any other cause, so that the damage equals or exceeds 10% of the replacement value of the building or the premises cannot be reasonably used for the purposes for which they were leased, then Tenant, no later than 15 days following the damage, may elect to terminate the Lease upon 30 days written notice. If Tenant elects not to terminate the Lease, then the rent shall be reasonably reduced to reflect the reduction in use of the premises. If the damage equals or exceeds 50% of the replacement value of the building, Landlord, no later than 15 days following the damage, may elect to terminate the Lease upon 30 days written notice. If Landlord elects not to terminate the Lease, then repair and restoration of the premises will be made as soon as possible, during which time the rent shall be reduced to reflect the reduction in use of the premises; rent shall be abated if no use can be made of the building during that time.

15. SHOWING. Landlord may show the premises from time to time during the lease term, at a time agreeable to Tenant. Tenant may refuse showing to persons reasonably believed to gathering information for competitive business purposes.

16. HOLD HARMLESS. Tenant agrees to save the Landlord harmless from and indemnify Landlord against, any and all claims, actions or damages resulting from any act omission, or negligence of Tenant or subtenant taking place within the building or directly caused by Tenant or Tenant's agent on the premises, or in connection with making any improvements, unless any such claim, action or damage results from any act, omission or negligence of a third party on the premises, not on business with the Tenant. Landlord agrees to save the Tenant harmless from and indemnify Tenant against, any and all claims actions or damages resulting from any act, omission, or negligence of Landlord or Landlord's agent.

17. GENERAL. This Lease represents the entire and exclusive understanding between the parties. This Lease agreement shall be binding on the

parties, their heirs, legal representatives, assigns and successors. Failure to exercise any rights herein shall not prejudice the parties in any future exercise of their rights.

IN WITNESS WHEREOF: The Parties hereto have set their hands on the date first written, at Marlow, New Hampshire.

GALLUP & HALL - Landlord

/s/ Steve Markiewicz  
-----

By: /s/ David Hall  
-----

PC CONNECTION, INC. - Tenant

/s/ Steve Markiewicz  
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By: /s/ Charles H. Morang, III  
-----  
Charles H. Morang, III

AMENDMENT TO LEASE

The Lease entered into June 1, 1987 by and between Gallup & Hall partnership with offices at Mill Street Marlow, New Hampshire (Landlord) and PC Connection, Inc., a New Hampshire corporation located at 6 Mill Street, Marlow, New Hampshire (Tenant) for premises known as the Christmas Trees Inn is hereby amended as follows:

Item Amend or Replace the Indicated Lease Section as follows:  
-----

- 1. 1. PREMISES. The premises to be leased consists of the Christmas Trees Inn located along NH Rt. 10 in Marlow, New Hampshire further described on a Deed dated May 9, 1984, recorded at Vol. 1061, Page 90 of the Cheshire County Registry of Deeds and the land abutting the new Mansfield Road extension, formerly part of the Smith and Aldrich properties. The Christmas Trees Inn contains approximately 15,800 square feet.
- 2. 3. RENT. Tenant shall pay as rent to the Landlord, the sum of \$8,850 payable monthly in advance, during the term of this Lease.
- 3. 10. TAX. Landlord shall be responsible for all real property taxes assessed against the premises up to and including the amount of the 1990 tax bill. Any increase in the real estate tax shall be borne by the Tenant.

This Amendment shall have an effective date of June 1, 1990. All other provisions of the Lease shall continue in full force and effect.

IN WITNESS WHEREOF: The parties hereto have set their hands this 24th day of December, 1990 at Marlow, New Hampshire.

Gallup & Hall, Partnership

/s/ Steve Markiewicz  
-----

By: /s/David Hall  
-----  
David Hall, Partner

as to all  
-----

By: /s/ Patricia Gallup  
-----  
Patricia Gallup, Partner

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PC Connection, Inc.

By: /s/ Ronald J. Karvosky  
-----  
Ronald J. Karvosky, Controller

## LEASE

Lease made July 22, 1988 by and between Gallup & Hall partnership with offices at 6 Mill Street, Marlow, New Hampshire (Landlord) and PC Connection, Inc., a New Hampshire corporation located at 6 Mill Street, Marlow, New Hampshire (Tenant).

In consideration of the mutual covenants herein contained, the Landlord agrees to lease to Tenant and the Tenant agrees to lease from Landlord, the following described premises under the following conditions:

1. PREMISES. The premises to be leased consist of two adjoining parcels known as 450 Marlboro Street in Keene, New Hampshire and an approximately 12,400 square foot building situated thereon together with any parking spaces thereon, further described in a deed of even date hereof and recorded at Volume \_\_\_\_\_, Page \_\_\_\_\_ in the Cheshire County Registry of Deeds.
2. TERM. The Lease shall commence on the date hereof and shall continue in force for twenty (20) years, terminating on July 21, 2008.
3. RENT. Tenant shall pay as rent to the Landlord, the sum of \$3,900 per month, or part thereof, payable in advance, during the first three (3) years of the Lease. For the next three (3) years, and again every three (3) years thereafter until the termination of the Lease, the rent shall be increased the same percentage as the increase in the Consumer Price Index (CPI) for the Boston Metropolitan Area. If the CPI remains the same or decreases, the rent payable herein shall remain the same as the preceding three (3) year period. In the event the CPI is no longer reported, an equivalent measure will be used.
4. POSSESSION. Tenant currently has possession of the premises and shall continue to have possession of the premises upon the execution of this Lease.
5. COVENANTS. Landlord warrants that it is the true owner of record of the Premises. Landlord covenants that so long as Tenant pays the rent and performs its covenants, Tenant shall peaceably and quietly have, hold, enjoy and have the exclusive use of the premises for the term provided.

Tenant covenants that it will undertake only lawful business on the premises and that it will comply with all applicable laws and regulations, and that it will not operate any business so as to constitute a nuisance. Tenant covenants that at the end of the Lease term, or the renewal period, it will return the premises to the Landlord in its original condition, subject to reasonable wear and tear and subject to such



improvements that Tenant does not remove.

6. IMPROVEMENTS. Tenant may make reasonable improvements to the premises including the erection of signs, at its expense. Tenant shall promptly pay for all material and labor for said improvements and shall have the option of removing any of the improvements at the end of the Lease period unless removal will cause damage to the premises; all removal shall take place no later than 30 days after the end of the Lease period. Tenant shall make no structural changes to the building without the prior written consent of the Landlord.

7. ASSIGNMENT. Tenant may assign this Lease to its subsidiary, sister or parent corporation; notice of which will be given to Landlord. Tenant will not otherwise assign or sublet this Lease without the Landlord's consent; which consent it will not unreasonably withhold. Landlord may assign this Lease to banks or other financial institutions for the purpose of securing loans made by it.

8. REPAIR. Landlord shall keep the buildings' roof and structure in good repair; Tenant shall make all other necessary repairs to the premises, including the heating, electrical and plumbing systems. Reasonable wear and tear shall be allowed.

9. UTILITIES. Tenant shall pay all utilities and services including water and sewer charges, snow removal, trash removal, lawn mowing, janitorial, heat, electricity, telephone and any other utility.

10. TAX. Tenant shall be responsible for all real property taxes assessed against the premises.

11. INSURANCE. Tenant shall maintain adequate fire and extended hazard insurance (all risk policy) on the building and shall maintain adequate insurance on its contents and property on the premises, including improvements within the building. Tenant and Landlord shall each maintain adequate general liability insurance, with waivers of subrogation. Policies of insurance shall be presented for review upon the reasonable request of the other party.

12. EMINENT DOMAIN. If there is any taking by eminent domain that materially affects Tenant's use and enjoyment of the premises, this Lease shall, at the option of Tenant, terminate when title vests with the taking authority. Tenant shall have the right to present claims for its damages to the taking authority. Rent shall be apportioned as of the date of termination, and any sums of Tenant held by Landlord shall be returned.

13. TERMINATION. If Tenant defaults in the payment of rent, Landlord may notify Tenant, in writing, of such default. If Tenant does not cure the rent default within 15 days of such notice, then Landlord may give Tenant a 30 day written notice of termination. If at the end of the 30 days, Tenant has not cured the rent default, Landlord may declare this Lease terminated, and Tenant shall quit and surrender the premises. If after the 30 day period Tenant has not quit the premises, then Tenant shall be responsible for all costs of eviction thereafter, including attorney's fees.

14. DAMAGE. If the building is damaged by fire or other hazard or any other cause, so that the damage equals or exceeds 10% of the replacement value of the building or the premises cannot be reasonably used for the purposes for which they were leased, then Tenant, no later than 15 days following the damage, may elect to terminate the Lease upon 30 days, written notice. If Tenant elects not to terminate the Lease, then the rent shall be reasonably reduced to reflect the reduction in use of the premises. If the damage equals or exceeds 50% of the replacement value of the building, Landlord, no later than 15 days following the damage, may elect to terminate the Lease upon 30 days, written notice. If Landlord elects not to terminate the Lease, then repair and restoration of the premises will be made as soon as possible, during which time the rent shall be reduced to reflect the reduction in use of the premises; rent shall be abated if no use can be made of the building during that time.

15. SHOWING. Landlord may show the premises from time to time during the lease term, at a time agreeable to Tenant. Tenant may refuse showing to persons reasonably believed to be gathering information for competitive business purposes.

16. HOLD HARMLESS. Tenant agrees to save the Landlord harmless from and indemnify Landlord against, any and all claims, actions or damages resulting from any act omission, or negligence of Tenant or subtenant taking place within the building or directly caused by Tenant or its agent on the premises, or in connection with making any improvements, unless any such claim, action or damage results from any act, omission or negligence of a third party on the premises, not on business with the Tenant. Landlord agrees to save the Tenant harmless from and indemnify Tenant against, any and all claims actions or damages resulting from any act, omission or negligence of Landlord or its agent.

17. GENERAL. This Lease represents the entire and exclusive understanding between the parties. This Lease agreement shall be binding on the parties, their heirs, legal representatives, assigns and successors. Failure to exercise any rights herein shall not prejudice the parties in any future exercise of their rights.

IN WITNESS WHEREOF: The Parties hereto have set their hands on the date first written, at Marlow, New Hampshire.

Gallup & Hall (Landlord)

/s/ Steve Markiewicz  
-----

By: /s/ David Hall  
-----  
David Hall, Partner

By: /s/ Patricia Gallup  
-----  
Patricia Gallup, Partner

PC Connection, Inc. (Tenant)

/s/ Steve Markiewicz  
-----

By: /s/ Charles H. Morang III  
-----  
Charles H. Morang, III  
Director of Operations

AMENDMENT TO LEASE

The Lease entered into by and between Gallup & Hall partnership (Landlord) and PC Connection, Inc. (Tenant) dated July 22, 1988 is hereby amended as follows:

Item Replace Indicated Lease Section with:

- - - - -

- 1 1. PREMISES. The premises demised consist of the property known as 450 Marlboro Street in Keene, New Hampshire, together with the 22,140 square foot building and parking space thereon, being all the premises conveyed to Gallup & Hall by Deed dated July 28, 1989 and recorded at Volume 1299, Page 187 of the Cheshire County Registry of Deeds.
  
- 2 3. RENT. Tenant shall pay as rent to the Landlord, the sum of \$7,000 per month, or part thereof, payable in advance, during the first three (3) years of the Lease. For the next three (3) years, and again every three (3) years thereafter until the termination of the Lease, the rent shall be increased the same percentage as the increase in the Consumer Price Index (CPI) for the Boston Metropolitan Area. If the CPI remains the same or decreases, the rent payable herein shall remain the same as the preceding three (3) year period. In the event the CPI is no longer reported, an equivalent measure will be used.

This Amendment shall have an effective date of January 1, 1990. All other provisions of the Lease, including date of termination, shall continue in full force and effect.

IN WITNESS WHEREOF: The Parties hereto have set their hands this 13th day of March, 1990 at Marlow, New Hampshire.

Gallup & Hall (Landlord)

/s/ Steve Markiewicz  
- - - - -

By: /s/ David Hall  
-----  
David Hall, Partner

By: /s/ Patricia Gallup  
-----  
Patricia Gallup, Partner

PC Connection, Inc. (Tenant)

By: /s/ Ronald J. Karvosky

-----  
Ronald J. Karvosky, Controller

## LEASE AGREEMENT

## 1. PARTIES

This Lease Agreement is entered into as of the 22nd day of June, 1993, by and between Dataproducts Corporation, a Delaware Corporation ("Lessor"), and PC Connection, Inc., a New Hampshire Corporation with offices at 6 Mill Street, Marlow, New Hampshire 03456 ("Lessee").

## 2. PREMISES

Lessor leases to Lessee and Lessee hires from Lessor the following described Premises, situated in the City of Milford, County of Hillsboro, State of New Hampshire commonly known and described as 582 Route 13 South: 24,000 square feet of office space on the second floor of the building at that location as shown in Exhibit "A" hereto. Lessee shall have access to the Premises via its own entrance. Lessee shall have access to all drives, walks and common hallways and may use as many parking spaces as necessary for its employees and visitors, subject to a mutually agreeable parking agreement to be negotiated by the parties.

## 3. RENTAL

Lessee shall pay to Lessor as rent for the Premises in advance on the first day of each calendar month of the term of this Lease without deduction, offset, prior notice or demand, in lawful money of the United States the sum of Eight Thousand Dollars (\$8,000.00).

The rental payable hereunder includes all utilities and all utility connections (including water, sewer, heat, light, electricity, gas, power, air conditioning, and rubbish removal), real estate taxes, parking, security, maintenance and repair. In the event Lessee or any of its employees, agents or invitees causes, through negligence or misconduct, any damage to the Premises which is not normal wear and tear, Lessor shall have the right to repair same and invoice Lessee for the cost thereof, which invoice Lessee shall promptly pay.

## 4. TERM

The term of this Lease shall be for a period of 48 months commencing on July 15, 1993 and ending on July 14, 1997, except that if Lessor shall sell or totally lease the building of which the Premises are a part, this Lease shall terminate upon 150 days' notice to Lessee.

## 5. RENEWAL AND EXPANSION OPTIONS

Lessee has the option to extend this Lease for an additional term of 12 months

(subject to the same 150 days' notice of termination by Lessor as set forth in paragraph 4, above) by notifying Lessor, in writing, 30 days prior to the end of the initial term.

Lessor shall offer to Lessee the opportunity to lease additional like space (i.e., suitable for offices) in the building, upon the same rental and terms of this Lease at Lessee's request if such space is then available for lease, and also before offering such space for lease to other prospective tenants and shall not consummate such a lease with others at a lower rental rate than offered to Lessee without first re-offering such space to Lessee at such lower rent. Any such initial offer to Lessee shall be for a term that ends on the same date as this Lease, but if Lessee declines such offer, Lessor may so offer such space to others for any term. In all such initial or subsequent offers to lease, Lessee shall have ten days to accept Lessor's offer to lease after which time Lessor may consummate its lease with another party.

Lessee shall not lease or rent any space on this property to competitors of the Lessee, which shall be defined on Exhibit "B" hereto.

6. USE

Lessee shall use the Premises for administration and general office, and for no other purpose without written consent of Lessor.

7. SECURITY

Prior to possession, Lessee shall pay to Lessor the sum of Eight Thousand Dollars (\$8,000.00) to be held by Lessor as a security deposit. In the event Lessor in its reasonable discretion, determines that Lessee damaged the Premises, or in the event Lessor fails to pay rent, Lessor may deduct such sums from the security deposit and shall not be obligated to Lessor for that portion of the security deposit. Lessee shall then replenish the security deposit to its full original amount. At the termination of the Lease, if the Lessor has no claim against the security deposit, it (or the remaining portion of it) shall be returned to the Lessee.

8. IMPROVEMENTS

The Premises are leased in "as is" condition. Lessee shall take occupancy of the Premises with existing offices. Any additional facilities requirements will be the financial responsibility of the Lessee. Lessee shall make no alterations to the Premises without the written authorization of Lessor. In the event Lessee makes alterations to the Premises, Lessee shall be entitled, at the end of the Lease term, to remove such alterations, including fixtures, provided removal does not damage the Premises.

9. NOTICES

All notices or demands of any kind required or desired to be given by Lessor or Lessee hereunder shall be in writing and shall be deposited in the United States mail, certified or registered mail, postage prepaid, addressed to the Lessor or Lessee, as the case may be, at the address set forth after their signatures at the end of this Lease. All rent and other payments due under this Lease shall be made by Lessee to Lessor at the same address.

10. TOXIC CONTAMINATION DISCLOSURE

Lessee acknowledges that it has been advised that numerous federal, state and/or local laws, ordinances and regulations ("Law") affect the existence and removal, storage, disposal, leakage of and contamination by materials designated as hazardous or toxic ("Toxins"). Many materials, some utilized in everyday business activities and property maintenance, are designated as hazardous or toxic.

Some of the Laws require that Toxins be removed or cleaned up by landowners, future landowners, former landowners or tenants without regard to whether the party required to pay for "clean up" caused the contamination, owned the property at the time the contamination occurred or even knew about the contamination. Some items, such as asbestos or PCB's, which were legal when installed, now are classified as Toxins, and are subject to removal requirements. Civil lawsuits for damages resulting from Toxins may be filed by third parties in certain circumstances.

Lessor agrees to indemnify and hold the Lessee harmless from any actions, claims or judgments made against the Lessee resulting from toxic or hazardous waste contamination on the Premises, including the real property on which the Premises are located, provided, however, that this indemnity shall not apply to any contamination caused by Lessee.

11. PERFORMANCE

- A. In the event Lessee defaults in or fails to perform any of its obligations under this Lease with respect to the Premises, Lessor may cure such default or perform such obligation, and the amount paid by Lessor to do same shall be immediately repaid to Lessor by Lessee.
- B. In the event of any breach of this Lease by Lessee, which is not cured by Lessee within 10 days after written notice from Lessor, Lessor shall be entitled to terminate this Lease and recover all of its legally allowable damages. Lessor shall also be entitled to recover its reasonable attorneys' fees and other costs in addition to the damages caused by such breach.



12. INSURANCE

Lessee shall provide evidence of insurance to Lessor (in the form of a certificate of insurance) and at its own expense shall obtain and keep in force during the term of this Lease a policy of combined Single Limit, Bodily Injury and Property Damage Insurance, insuring Lessor against any liability arising out of the use or occupancy by Lessee of the Premises and all areas appurtenant thereto.

Such insurance shall be a Combined Single Limit Policy in an amount not less than \$1,000,000.00 per occurrence and shall name Lessor as an additional insured. Insurance required hereunder shall be in companies holding a General Policy Holders rating of at least B+.

Lessee shall provide Lessor a certificate of insurance with evidence of Worker Compensation coverage with the statutory limits and Employers liability of \$1,000,000.00

Lessor shall maintain adequate fire and hazard insurance (all risk policy) and general liability insurance (including bodily injury and property damage) in an amount no less than \$1,000,000 on the Premises. Policies of insurance shall be presented for review upon request of the Lessee.

13. QUIET ENJOYMENT

Lessor warrants that it is the true owner of record of the Premises. Lessor covenants that so long as Lessee pays the rent and performs its covenants, Lessee shall peaceably and quietly have, hold, enjoy and have the exclusive use of the Premises for the term provided subject to the terms and conditions of the Lease.

14. ENTIRE AGREEMENT

This Lease Agreement represents the entire and exclusive understanding between the parties; shall be binding on the parties, their heirs, legal representatives, assigns and successors; and is subject to and shall be construed under the laws of the State of New Hampshire. Failure to exercise any rights herein shall not prejudice the parties in any future exercise of their rights.

ACCEPTED:

LESSEE:  
PC CONNECTION, INC.  
6 Mill Street  
Marlow, New Hampshire 03456

LESSOR:  
DATAPRODUCTS CORPORATION  
6219 DeSoto Avenue  
Woodland Hills, California 91367

By: /s/ David Hall

-----  
(Authorized Signature)

Name: David Hall

-----  
(Type or Print)

Title: Executive Vice President

By: /s/ E. H. Hemmer

-----  
(Authorized Signature)

Name: William S. Mieth

-----  
(Type or Print)

Title: Senior Vice President

Exhibit A may be obtained by written request from the Registrant.

EXHIBIT B

Competitors of Lessee shall mean direct resellers of computers, hardware or software or any combination thereof. Without limitation, the following are examples of competitors: Microwarehouse, Dell, Zeos, Egghead, Compaq, DEC Direct, Lotus, Etc.

ADDENDUM TO LEASE

This Addendum modifies the Lease made July 7, 1993 by and between Dataproducts Corporation (Lessor) and PC Connection, Inc. (Lessee).

# Modification

1. Add at end of Section 4: "Lessee may terminate this Lease at any time upon 150 days written notice to Lessor."

Agreed:  
Dataproducts Corporation

by: /s/ E. H. Hemmer  
-----

PC Connection, Inc.

by: /s/ David Hall  
-----  
David Hall, Executive Vice President

LEASE AGREEMENT  
(Multi-Tenant Office Building, Triple Net)

CENTURY PARK, LLC  
(Landlord)

To

PC CONNECTION, INC.  
(Tenant)

Century Park  
Hudson, New Hampshire

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Exhibit A-2	Legal Description
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Exhibit E	Credit, Bank and Trade References for Tenant
Exhibit F	Rules and Regulations
Exhibit G	Collateral Assignment of Lease form
Exhibit H	Landlord's Consent to Collateral Assignment of Lease form



LEASE dated this 1st day of October, 1997, by and between CENTURY PARK, LLC, a New Hampshire limited liability company with an address of c/o Oreo Marketing Corporation, 124 Indian Rock Road, Windham, NH 03087 ("Landlord") and PC CONNECTION, INC., a New Hampshire corporation, with an address of 528 Route 13 South, Milford, New Hampshire 03055 ("Tenant").

WITNESSETH:

ARTICLE I - LEASED PREMISES; CONSTRUCTION

1.1 Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, upon and subject to the terms and provisions of this Lease, an area of approximately Eight Thousand Three Hundred Eighty-Seven (8,387) square feet, as cross-hatched on the plan attached hereto as Exhibit A-1 (the "Leased Premises"), which area is a part of an office building or buildings known as Century Park located upon a lot or parcel of land situated in the Town of Hudson, County of Hillsborough, New Hampshire, as more particularly described in Exhibit A-2 attached hereto, together with such additions and extensions as Landlord may from time to time designate as included within the office building or buildings (the "Office Building"). This is a "net, net, net lease" and Tenant shall pay Tenant's Proportionate Share (hereinafter defined) of all expenses incurred in connection with the operation of the Office Building so that the Base Rent described in Article IV will be entirely "net" to Landlord, except for (a) interest and amortization on mortgages encumbering the fee title at any time and (b) any estate, inheritance, income or personal taxes of Landlord.

1.2 (a) All work performed by Tenant shall be performed at Tenant's sole risk and in accordance with good construction practices, applicable legal requirements and insurance requirements. Tenant leases the Lease Premises in an "as is" condition, excluding Landlord's Work (hereinafter defined) and all required interior improvements as described in Exhibit B attached hereto, including, but not limited to, heating, ventilation and air conditioning ("HVAC"), lighting, electrical, plumbing, separate metering for all electrical and other utilities servicing the Leased Premises, installation of a transformer and ventilation for the new HVAC unit, design and permits, shall be the sole responsibility and cost of Tenant (the "Tenant's Work"). The Tenant's Work shall be installed and constructed in accordance with the provisions of this Lease, including, but not limited to, Article IX.

(b) Landlord shall purchase and install, at Landlord's sole cost and expense, one (1) HVAC unit, renovate existing bathrooms and install a new handicap bathroom as shown on Exhibit C attached hereto ("Landlord's Work").

1.3 For all purposes in this Lease, the term "Tenant's Proportionate Share" shall mean six and sixty-three hundredths percent (6.63%), which is the ratio that the gross square feet of the Leased Premises of Eight thousand five  
- - - - -  
hundred sixty (8,560)

square feet plus a common area factor of ten percent (10%), totaling Nine  
-----  
thousand four hundred sixteen (9,416) square feet bears to the total rentable  
-----  
square feet of the Office Building (which is One hundred forty-two-thousand  
eighty-nine (142,089)) square feet. Landlord may adjust, at its option, the  
Tenant's Proportionate Share in the event that the rentable square feet in the  
Office Building changes. In the event of such adjustment, Landlord shall give  
Tenant notice in writing of the new Tenant's Proportionate Share which shall  
become effective on the first (1st) day of the month following the notice.

#### ARTICLE II - TERM OF LEASE

2.1 The initial term of this Lease is for a period of one (1) year, which  
period will commence on September 1, 1997 (the "Commencement Date") and  
terminate on August 31, 1998.

2.2 The term "Lease Year" shall mean each twelve (12) full months  
following the first such Lease Year.

2.3 If Tenant holds over after the expiration of this term or any  
exercised option term without objection from Landlord, then such holding over  
will not extend the term of this Lease, but will create a month-to-month tenancy  
under the same conditions as this Lease except that rent shall be paid in the  
amount of 200% the base rent set forth in Section 4.1 hereof.

#### ARTICLE III - OPTION TO RENEW

3.1 Tenant shall have the option to renew the Lease for four (4)  
additional terms of one (1) year each. Said options may be exercised by given  
notice to Landlord on or before three (3) months prior to expiration of the  
then-current term of the Lease of Tenant's intent to exercise the option. As a  
condition to the right to renew this Lease for each renewal term, Tenant shall  
furnish to Landlord credit, bank and trade references in the form and with the  
same or greater financial quality as the references attached hereto as Exhibit  
E. If Tenant fails to exercise an option to renew, then all further options  
renew expire, and the Lease shall terminate and the end of the then-current  
term.

#### ARTICLE IV - RENT; TENANT'S FINANCIAL CONDITION

4.1 Tenant shall pay Landlord (at the address specified in Article XXVIII  
hereof), based upon nine thousand four hundred sixteen (9,416) square feet which  
is the gross square feet of the Leased Premises plus a common area factor of ten  
-----  
percent (10%), as base rent for the Leased Premises during the initial term of  
this Lease, the sum of Four Dollars and Fifty Cents (\$4.50) per square foot,  
which is Forty-Two Thousand Three Hundred Seventy-Two Dollars (\$42,372) (the  
"Base Rent"), payable in

equal monthly installments of Three Thousand Five Hundred Thirty-One Dollars (\$3,531).

4.2 Tenant shall pay Landlord (at the address specified in Article XXVIII hereof), as "Base Rent" for the Leased Premises for the renewal terms the following amounts:

- (a) The sum of Five Dollars (\$5.00) per square foot, Forty-Seven Thousand Eighty Dollars (\$47,080) for the second Lease Year, payable in equal monthly installments of Three Thousand Nine Hundred Twenty-Three Dollars and Thirty-Four Cents (\$3,923.34);
- (b) The sum of Five Dollars and Fifty Cents (\$5.50) per square foot, Fifty-One Thousand Seven Hundred Eighty-Eight Dollars (\$51,788) for the third Lease Year payable in equal monthly installments of Four Thousand Three Hundred Fifteen Dollars and Sixty-Seven Cents (\$4,315.67);
- (c) The sum of Six Dollars (\$6.00) per square foot, Fifty-Six Thousand Four Hundred Ninety-Six Dollars (\$56,496) for the fourth Lease Year payable in equal monthly installments of Four Thousand Seven Hundred Eight Dollars (\$4,708); and
- (d) The sum of Seven Dollars (\$7.00) per square foot, Sixty-Five Thousand Nine Hundred Twelve Dollars (\$65,912) for the fifth Lease Year payable in equal monthly installments of Five Thousand Four Hundred Ninety-Two Dollars and Sixty-Seven Cents (\$5492.67).

4.3 All rent is payable in advance, without demand, in fixed monthly installments of one twelfth of the then-current yearly Base Rate on or before the first day of each and every month during the term hereof. If this lease begins on any day other than the first (1st) of any calendar month, then the rent for the first month will be prorated for the number of days in that month that this lease is effective. A similar proration will be made for the end of the term.

4.4 The Base Rent and all other sums payable by Tenant hereunder shall be referred to as "Rent". For further sums payable by Tenant as Rent (sometimes called "Additional Rent") see Articles VII, VIII, XI, XV and XX.

4.5 It is understood that the Base Rent, Monthly Estimated Common Area Maintenance Charge, Tenant Proportionate Share of Real Estate Taxes (hereinafter defined) and Insurance Premiums (hereinafter defined) is payable on or before the first day of each month without offset or deduction of any nature. In the event such Rent is not received when due or any check tendered to Landlord is returned to

Landlord as uncollectible, Tenant shall pay the applicable service charges set forth in this Section 4.5, which Landlord and Tenant agree are a fair and reasonable estimate of the costs to be incurred by Landlord by reason of such late payment. The service charge for a late payment shall be an amount equal to five percent (5%) of any installment of rent and other charges past due for more than five (5) days; provided, however, interest on such past due installment and late payment charge shall accrue at the rate of eighteen percent (18%) per annum after the thirtieth (30th) day such installment is past due until paid. The service charge for a returned check shall be One Hundred Dollars (\$100). In no event shall the aggregate of the interest to be paid by Tenant, plus any other amounts paid in connection with the transaction evidenced hereby which would under applicable law be deemed "interest", ever exceed the maximum amount of interest which, under applicable law, could be lawfully charged to Tenant hereunder (the "Maximum Rate"). Therefore, none of the terms of this Lease shall ever be construed to create a contract to pay interest at a rate in excess of the Maximum Rate, and Tenant shall not be liable for interest in excess of that determined at the Maximum Rate, and the provisions of this Section shall control all other provisions of this Lease. If any amount of interest taken or received by Landlord shall be in excess of the maximum amount of interest which, under applicable law, could lawfully have been collected under this Lease, then the excess shall be deemed to have been the result of a mathematical error by Landlord and Tenant and shall be refunded promptly to Tenant.

4.6 Any payment by Tenant or acceptance by Landlord of an amount less than that due under the terms hereof will be treated as a payment on account, regardless of any endorsement appearing on any such check or any statement made by Tenant to the contrary.

#### ARTICLE V - SECURITY DEPOSIT; LETTER OF CREDIT

5.1 Upon the execution hereof, and prior to the commencement of the lease term under Article II hereof, Tenant shall pay to and deposit with Landlord the sum of Five Thousand Dollars (\$5,000), as security for the full and faithful performance by Tenant of all the terms of this Lease required to be performed by Tenant, including, but not limited to, the obligations of Tenant under Section 8.5 of this Lease. Landlord may use, apply, or retain the whole or any part of the money deposited as security hereunder to the extent required for the payment of any rent and additional rent or other sum(s) as to which Tenant is in default or for any sum(s) which Landlord may expend or may be required to expend by reason of Tenant's default in respect of any of the conditions of this Lease, including, but not limited to, any damages or deficiency in reletting of the Leased Premises whether such damages or deficiency accrued before or after summary proceedings or other reentry by Landlord or the failure of Tenant to comply with the provision of Section 8.5 of this Lease. In the event of Landlord's sale or lease of the Leased Premises of which the Leased Premises forms a part, Landlord shall have the right to transfer said security deposit

to the purchaser or lessee, and Landlord shall thereupon be released from all liability for the return of such security deposit. In the event of such a transfer, Tenant shall look solely to said transferee for the return of said security deposit. Tenant shall not assign or encumber the money deposited as security without the prior written consent of Landlord, and Tenant agrees that neither Landlord nor its successors and assigns shall be bound by any such assignment or encumbrance. Tenant agrees that the money deposited as security hereunder will not be used to pay the Rent for the last month of the term hereof without the prior written consent of Landlord. Tenant shall be entitled to interest at money market rates on the money deposited as security hereunder. Subject to the terms of this Section, in the event that Tenant shall comply with all of the terms of this Lease, the money deposited as security hereunder will be returned to Tenant at the expiration of the term hereof and after delivery of possession of the Leased Premises to Landlord.

5.2 As a condition to the exercise of the fourth option to renew this Lease as set forth in Section 3.1 hereof, Tenant shall deliver to Landlord a Letter of Credit in the form attached hereto as Exhibit D in the amount equal to four (4) months Base Rent for the fifth Lease Year of this Lease, which Letter of Credit may be drawn upon by Landlord in the event of a default by Tenant under the terms of this Lease.

#### ARTICLE VI - QUIET ENJOYMENT

6.1 Landlord shall put Tenant into possession of the Leased Premises on the Commencement Date, and Tenant, upon paying the rent and observing the other covenants and conditions herein, upon its part to be observed, shall peaceably and quietly hold and enjoy the Leased Premises. Notwithstanding the provisions of the foregoing sentence, Tenant acknowledges that the Office Building and the surrounding site shall be under renovation, and at various times during the term of this Lease, and agrees that any such renovation shall not be a violation of Tenant's right of quiet enjoyment.

#### ARTICLE VII - COMMON AREAS OF THE OFFICE BUILDING; MAINTENANCE THEREOF

7.1 The term "Common Area" is defined for all purposes of this Lease as that part of the Office Building intended for the common use of all tenants, including among other facilities (as such may be applicable to the Office Building) parking areas, private streets and alleys, landscaping, curbs, loading areas, sidewalks, lobbies, hallways, lighting facilities, drinking fountains, meeting rooms, public toilets, and the like but excluding space in buildings (now or hereafter existing) designed for rental for commercial purposes, as the same may exist from time to time, and further excluding streets and alleys maintained by a public authority. Landlord reserves the right to change from time to time the dimensions and location of the Common Area, as well as the dimensions, identity and type of any buildings in the Office Building.

Tenant, its employees and customers, and, when duly authorized pursuant to the provisions of this Lease, its subtenants, licensees and concessionaires, shall have the nonexclusive right to use the Common Area as constituted from time to time. Such use shall be in common with Landlord, other tenants in the Office Building and other persons permitted by Landlord to use the same, and shall be subject to such reasonable rules and regulations governing use as Landlord may from time to time prescribe, including the designation of specific areas within the Office Building or in reasonable proximity thereto, in which automobiles owned by Tenant, its employees, subtenants, licensees and concessionaires shall be parked. Tenant shall not take any action which would interfere with the rights of other persons to use the Common Area. Landlord may temporarily close any part of the Common Area for such periods of times as may be necessary to make repairs or alterations or to prevent the public from obtaining prescriptive rights. Landlord shall be responsible for the operation, management, and maintenance of the Common Area, the manner of maintenance and the expenditures therefor to be in the sole discretion of Landlord.

7.2 (a) In addition to Monthly Rent and any other charges prescribed in this Lease, Tenant shall pay to Landlord Tenant's Proportionate Share of the cost of ownership, operation and maintenance of the Common Area (including, among other costs, those for lighting, management and administrative costs not to exceed \$0.50 per square foot, painting, cleaning, policing, inspecting, repairing, replacing, and removing of snow and ice from the Common Area, and the cost of heating, cooling, water, sewer, electricity, fuel oil, natural gas and other utilities for any lobbies and hallways, and, in the event that the Leased Premises and other areas of the Office Building which are leased are not separately metered for utilities, the costs of electricity, heating, cooling and other utilities servicing the Office Building) which may be incurred by Landlord in its discretion, including the cost of maintaining and repairing all utility mains, lines, conduits and other facilities located on, above or under the Common Area (collectively, the "Common Area Maintenance Charges").

(b) During the first year of this Lease, Tenant will pay Landlord a "Monthly Estimated Common Area Maintenance Charge" in the amount of One Thousand Five Hundred Dollars (\$1,500), monthly in advance, payable at the same time and place as the Monthly Rent is payable, except, however, if the Lease Term does not begin on the first day of a calendar month, Tenant shall pay a pro rata portion of such sum for such partial month. Landlord shall have the right to adjust such monthly estimate on an annual basis, pursuant to the following paragraph.

(c) At the end of each calendar year occurring during the Term of this Lease (or subsequent to the expiration or other termination of this Lease, if such occurs on a date other than the last day of a calendar year), Landlord will give Tenant notice of the total amount paid by Tenant for the relevant calendar year together with the actual amount of Tenant's Proportionate Share of the Common Area Maintenance Charges (the "Total Cost") for such calendar year. If the actual

amount of Tenant's Proportionate Share of the Total Cost with respect to such period exceeds the aggregate amount previously paid by Tenant with respect thereto during such period, Tenant shall pay to Landlord the deficiency within 15 days following notice from Landlord; however, if the aggregate amount previously paid by Tenant with respect thereto exceeds Tenant's Proportionate Share of the Total Cost for such period, then, at Landlord's election, such surplus (net of any amount then owing by Tenant to Landlord) shall be credited against the next ensuing installment of any such cost due hereunder by Tenant or against any other amount of Rent owing by Tenant to Landlord hereunder, or Landlord may remind such net surplus to Tenant. Periodically, during the Term of this Lease, Landlord shall have the right to estimate Tenant's Proportionate Share of Common Area Maintenance Charges for the next fiscal period (determined by Landlord) of the Term of this Lease, whereupon, Tenant shall pay Landlord such amounts as may be so indicated by Landlord in the same manner as the Monthly Estimated Common Area Maintenance Charge. Tenant shall have the right, upon thirty (30) days prior written notice, to inspect Landlord's records relating to such charges, such right to be limited to one time per year.

7.3 Tenant shall not permit its employees to park in the parking areas overnight for more than three (3) nights, nor to allow unregistered vehicles to be parked on the property. Tenant agrees to indemnify Landlord, its employees, and agents, except the towing operator, and holds each of them harmless from any and all claims of whatsoever nature which may arise by reason of Landlord's removal of unauthorized vehicles. Landlord may from time to time substitute for any parking area other areas reasonably accessible to the tenants of the Office Building, which areas may be elevated, surface or underground.

#### ARTICLE VIII - CONDITION OF LEASED PREMISES; REPAIRS

8.1 Subject to the terms of Article I of this Lease, Tenant accepts the Office Building, improvements, and any equipment or fixtures on or in the Leased Premises "as is" and in their existing condition and agrees that no representation, statement or warranty, express or implied, has been made by or on behalf of Landlord as to such condition, or as to the use that may be made of such property.

8.2 If the Leased Premises is now, or at any time during the term of this Lease becomes, a "Public Accommodation" under the Americans with Disabilities Act of 1990 (the "ADA"), Tenant shall, at its sole expense, subject to the terms of Article I of this Lease, be responsible for (i) compliance with Title III of the ADA to the extent that the ADA imposes obligations on the procedure and design of any alterations to the Leased Premises made by Tenant, and (ii) making modifications in its policies, practices and procedures in connection with the operating of Tenant's business. If a failure to make such modifications constitutes a violation of the ADA, Tenant shall indemnify and hold harmless Landlord with respect to its failure to comply with the

foregoing responsibilities. Any work to be performed Tenant pursuant to this Section 8.2 shall be governed by all the provisions set forth in Section 9.1 below.

8.3 Landlord shall maintain in good repair the structural integrity of the roof, and exterior walls of the Leased Premises, and the structural beams, structural columns and other structural parts of the Leased Premises, and the cost of such amount shall be reimbursed to Landlord as part of the Common Area Maintenance Charges. Tenant shall keep, during the term hereof, at its own cost and expense, both the interior of the Leased Premises, excluding the structural integrity of the roof and exterior walls, in as good condition as the same was after the completion of Tenant's Work, reasonable wear and tear, taking by eminent domain and damage due to fire or casualty insured against excepted. Tenant shall replace, at its own cost and expense, damaged, broken or scratched window glass, if any, of the same kind and quality, reasonable wear and tear, taking by eminent domain and damage due to fire or other casualty insured against excepted. Tenant shall replace and/or repair, at its own cost and expense, all light bulbs and lighting fixtures which are damaged, broken or cease to function during the term hereof, with bulbs or fixtures of the same kind and quality. In addition, Tenant shall maintain, repair and replace the HVAC servicing the Leased Premises and shall maintain a service contract for the servicing of the HVAC, a copy of which shall be furnished to Landlord, excluding Landlord's Work.

8.4 Tenant shall take good care of the Leased Premises and keep the same free from waste at all times. Tenant shall keep the Leased Premises and sidewalks, service-ways and loading areas adjacent to the Leased Premises neat, clean and free from dirt or rubbish at all times, and shall store all trash and garbage within the Leased Premises, arranging for the regular pick-up of such trash and garbage at Tenant's expense. Removal of garbage and trash shall be made only in the manner and areas prescribed by Landlord as Tenant is notified. Tenant shall arrange for the regular pick up of trash and refuse at Tenant's expense, unless Landlord provides other refuse service, in which case Tenant shall use such other refuse service and pay the cost of such service as specified by Landlord. Tenant shall not operate an incinerator or burn trash or garbage within or outside the Office Building. Tenant shall procure at its sole expense all permits and licenses required for the transaction of business in the Leased Premises and otherwise comply with all applicable laws, ordinances, and governmental regulations affecting the Office Building, including those relating to Hazardous Waste or Substance (hereinafter defined) now in force or that may be hereafter enacted or promulgated.

8.5 At the end of the term of this Lease and all exercised renewal terms, or upon an earlier termination of this Lease, Tenant shall return the Leased Premises to Landlord in the same condition as the Leased Premises will be upon the completion of Tenant's Work, ordinary wear and tear excepted, with all maintenance obligations of Tenant under this Lease having been performed; and Tenant shall repaint, repair



holes or damage to walls, replace burned out light bulbs, clean carpets, replace ceiling tiles and complete any deferred maintenance prior to the time the Lease Premises are returned to Landlord.

#### ARTICLE IX - IMPROVEMENTS BY TENANT

9.1 Tenant shall not make or allow to be made any alterations, installations, additions or improvement in or to the Leased Premises, or place safes, vaults or any other heavy furniture or equipment within the Leased Premises, without Landlord prior written consent, which consent shall not be unreasonably withheld or delayed. Any such alterations, additions or improvements to the Leased Premises shall be governed by the following terms:

(a) No such alteration, addition or improvement lessens the fair market value of the Leased Premises or the Office Building and all such improvements are performed in class and quality at least equal to the original construction work;

(b) All work for any such alteration, addition or improvement shall be performed by a contractor reasonably satisfactory to Landlord prior to the commencement of the work, and Landlord shall approve the construction contract which shall be between the Tenant and the approved contractor;

(c) Prior to the commencement of work on any such alteration, addition or improvement, Tenant shall procure, at its own cost and expense, all necessary permits; furthermore, the plans and specifications covering the same will have been submitted to and approved by (i) Landlord, (ii) all municipal or other governmental departments or agencies having jurisdiction over the subject matter thereof, and (iii) any mortgagee having an interest in or lien upon the Leased Premises or the Office Building if required by the terms of the mortgage, it being understood that Landlord will not unreasonably refuse to join in any application to any such mortgagee or governmental agency to obtain such approval with respect to any reasonable alteration, addition or improvement;

(d) In carrying out all such alterations, additions and improvements, Tenant shall comply with the standards, guidelines and specifications imposed by all municipal or other governmental departments and agencies having jurisdiction over the same, including without limitation, all building codes;

(e) Prior to the commencement of work on any such alteration, addition or improvements, Tenant shall have procured and delivered to Landlord the policy of Builder's Risk insurance hereinafter referred to in Section 21.2 hereof or additional fire and extended coverage insurance as required by Section 21.3 hereof, whichever is applicable;

(f) All work shall be completed promptly and in a good and workman like manner and shall be performed in such a manner that no mechanic's, materialmen's or other similar liens shall attach to Tenant's leasehold estate, and in no event shall Tenant permit, or be authorized to permit, any such liens or other claims to be asserted against Landlord or Landlord's rights, estate and interest with respect to the Leased Premises or the Office Building; and at the completion of all work Tenant shall obtain waivers of mechanic's and materialmen's liens from all persons performing work on or on furnished material to the Leased Premises; and

(g) Any such alteration, addition or improvement made by Tenant pursuant to the terms hereof shall, at the expiration of the term hereof become and remain the property of Landlord, provided, however, that Landlord may, at its option and upon notice to Tenant not less than ninety (90) days prior to such expiration, require Tenant to remove any such alterations, additions, and improvements and to restore the Leased Premises to their condition as at the beginning of the term hereof, reasonable wear and tear, taking by eminent domain and damage due to fire or other casualty insured against excepted.

#### ARTICLE X - MACHINERY AND EQUIPMENT - TRADE FIXTURES

10.1 All alterations, installations, additions or improvements, other than moveable furniture and moveable trade fixtures, made by Tenant to the Leased Premises shall remain upon and be surrendered with the Leased Premises and become the property of Landlord at the expiration or termination of this Lease or the termination of Tenant's right to possession of the Leased Premises; provided, however, that Landlord may require Tenant, at Tenants cost, to remove any and all of such items that are not building standard within ten (10) days following the expiration or termination of this Lease, or the termination of Tenant's right to possession of the Leased Premises. Tenant, at its sole cost and within ten (10) days following the expiration or termination of this Lease, shall remove all of Tenant's property from the Leased Premises. Any such property which may be removed pursuant to the preceding sentence and which is not so removed prior to the expiration or earlier termination of this Lease may be removed from the Leased Premises by Landlord and stored for the account of Tenant; and if Tenant fails to reclaim such property within thirty (30) days following such expiration or earlier termination of this Lease, then such property will be deemed to have been abandoned by Tenant, and may be appropriated, sold, destroyed or otherwise disposed of by Landlord without notice to Tenant and without obligation to account therefor. Tenant shall pay to Landlord the cost incurred by Landlord in removing, storing, selling, destroying or otherwise disposing of any such property.

## ARTICLE XI - UTILITIES

11.1 If the following utilities are, or are to be, separately provided to the Leased Premises, Tenant shall make arrangements for and pay when due all charges for gas, oil, electricity, water, light, heat, air conditioning, sewer, power, telephone and any other services used on or about or supplied to the Leased Premises and shall indemnify Landlord against any liability on such account. Landlord shall not be liable for any failure of water supply or electric current or of any service by any utility; or injury to persons (including death) or damage to property resulting from steam, gas, electricity, water, rain or snow which may flow or leak from any part of the Leased Premises or from any pipes, appliances or plumbing works, on the street or subsurface, or from any other place; or for interference with light or other easements, unless caused by Landlord's negligence.

11.2 Tenant shall, at its sole cost and expense, maintain, repair, change and improve the electrical and other utility systems, including, but not limited to, the transformers to be installed by Tenant, which are located within the Leased Premises pursuant to Section 1.2 of this Lease. Any work performed by Tenant under this Section 11.2 shall be governed by all of the terms contained in Section 9.1 of this Lease.

## ARTICLE XII - USE OF LEASED PREMISES

12.1 Without the prior written consent of Landlord, Tenant may use the Leased Premises only for the purpose of telephone sales/call center and offices and for other services and purposes reasonably incident thereto.

12.2 In its use of the Leased Premises, Tenant shall comply with all statutes, ordinances and regulations applicable to the use thereof, including, without limiting the generality of the foregoing, the Zoning Ordinances of the Town of Hudson, New Hampshire, as now in effect or as hereafter amended.

12.3 Tenant shall not injure or deface, or commit waste with respect to the Leased Premises nor occupy or use the Leased Premises, or permit or suffer any part thereof to be occupied or used, for any unlawful or illegal business, use or purpose, nor for any business, use or purpose deemed to be disreputable or extra-hazardous, nor in such manner as to constitute a nuisance of any kind, nor for any purpose nor in any manner in violation of any present or future laws, rules, requirements, orders, directions, ordinances or regulations of any governmental or lawful authority including Boards of Fire Underwriters. Tenant shall, immediately upon the discovery of any such unlawful illegal, disreputable or extra-hazardous use, take, at its own cost and expense, all necessary steps, legal and equitable, to compel the discontinuance of such use and to oust and remove the subtenants, occupants or other persons guilty of such unlawful, illegal, disreputable or extra-hazardous use.

12.4 Tenant shall procure any licenses or permits required by any use of the Leased Premises by Tenant.

#### ARTICLE XIII - HAZARDOUS MATERIAL OR SUBSTANCES

13.1 Tenant shall not (either with or without negligence) cause or permit the escape, disposal, release of any Hazardous Materials (as said term is hereafter defined) on, in, upon or under the Property of the Leased Premises. Tenant shall not allow Tenant to generate, store, use or dispose of such Hazardous Materials in any manner not sanctioned by law for the generation, storage, use and disposal of such Hazardous Materials, nor allow to be brought into the Property any such Hazardous Materials except for use in the ordinary course of Tenant's business and in compliance with all applicable laws, rules and regulations. Tenant shall furnish to Landlord prior to Delivery of Possession the Material Safety Data Sheets ("MSDS") for all Hazardous Materials to be used by Tenant. No additional Hazardous Materials shall be used by Tenant until delivery to Landlord of a MSDS pertaining thereto. Hazardous Materials shall include, without limitation, any material or substance which is (i) petroleum, (ii) asbestos, (iii) designated as a "hazardous substance" pursuant to the Federal Water Pollution Control Act, 33 U.S.C. (S)(S) 1251 et seq. (33 U.S.C. (S)(S) 1321) or listed pursuant to (S)(S) 307 of the Federal Water Pollution control Act (33 U.S.C. (S)(S) 1317), (iv) defined as a "hazardous waste" pursuant to the Resource Conservation and Recovery Act, 42 U.S.C. (S)(S) 6901 et seq. (42 U.S.C. (S)(S) 6903), (v) defined as a "hazardous substance" pursuant to the Comprehensive Environmental Response, compensation, and Liability Act, 42 U.S.C. (S)(S) 9601 et seq. (42 U.S.C. (S)(S) 9601), as amended, (vi) Superfund Amendment and Reauthorization Act of 1986, 42 USC Section 6901 et. seq. (SARA, amending CERCLA); (vii) New Hampshire RSA 147 and 147-A

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and 147-B; (viii) any federal, state or local regulations, rules or orders issued or promulgated, now or hereafter, under or pursuant to any of the foregoing or otherwise by any department, agency or other administrative, regulatory or judicial body; or (ix) defined as "oil" or a "hazardous waste", a "hazardous substance", a "hazardous material" or a "toxic material" under any other law, rule or regulation applicable to the Property. If Landlord, any lender or any governmental agency shall ever require testing to ascertain whether or not there has been any release of Hazardous Materials, then all cost of such investigations there shall be borne by Tenant. In addition, Tenant shall execute estoppel certificates and the like, from time to time, at Landlord's reasonable request concerning Tenant's best knowledge and belief regarding the presence of Hazardous Materials on the Leased Premises introduced or brought onto the Leased Premises by Tenant other than ordinary cleaning fluids and/or fluids and other material commonly used for offices. In all events, Tenant shall indemnify and save Landlord harmless from any release, unlawful presence or unlawful existence of Hazardous Materials on the Leased Premises. The covenants and indemnity and other provisions set forth in this Section 13.1 shall survive the expiration or earlier termination of this Lease. Landlord expressly reserves the right to enter the Leased Premises to perform regular

inspections upon reasonable notice to Tenant provided that same does not interfere with Tenant's use of the Leased Premises.

13.2 Tenant warrants and acknowledges that at no time have funds been expended from the State of New Hampshire's hazardous waste cleanup fund established under R.S.A. 147-B with respect to any of Tenant's property located within New Hampshire which would entitle the State to a so-called superlien under R.S.A. 147-B:10 III. Tenant also acknowledges same with respect to similar laws of any other state which liens might possibly affect the Leased Premises. Tenant shall indemnify Landlord and hold Landlord harmless for any liability imposed should the provisions of this Section 13.2 be or become untrue. The provisions of this section will survive the expiration or termination of this Lease.

13.3 Except for the above ground storage tank for heating oil, to Landlord's best knowledge, there is no hazardous material stored in, under or around the Lease Premises or the land on which the Leased Premises are situated, and that there is no current or threatened governmental action relating to environmental or hazardous waste cleanup in the Leased Premises.

#### ARTICLE XIV - ASSIGNMENT; SUBLEASING

14.1 Tenant shall not, voluntarily, by operation of law, or otherwise, assign, transfer, mortgage, pledge or encumber this Lease or sublease the Leased Premises or any part thereof, or grant a right to any person other than Tenant, its employees, agents, servants and invitees to occupy or use the Leased Premises or any portion thereof, without the express prior written consent of Landlord; provided, however, Landlord agrees to consent to the collateral assignment of this Lease in the form attached hereto as Exhibit G to Tenant's Lender, such consent to be in the form attached hereto as Exhibit H. Any attempt to do any of the foregoing without such written consent shall be null and void and of no effect, and shall further constitute a material default under this Lease. If Tenant so requests Landlord's consent, said request shall be in writing specifying the duration of said desired sublease or assignment, the date same is to occur, the exact location of the space affected thereby and the proposed rentals on a square foot basis chargeable thereunder, and shall be submitted to Landlord at least sixty (60) days in advance of the date on which Tenant desires to make such assignment or sublease or allow such occupancy or use. Upon such request, Landlord may, in its sole discretion, (i) grant such consent subject to Landlord's approval of the assignee, transferee, subtenant or mortgagee, or (ii) elect to terminate this Lease, or (iii) suspend this Lease as to the space to be affected by such assignment, sublease or other event specified above for the duration specified by Tenant in its notice, in which event Tenant will be relieved of all obligations hereunder as to such space during such suspension, including a suspension of the rent hereunder in proportion to the portion of the Leased Premises affected thereby

(but after said suspension, if the suspension is not for the full term hereof, Tenant shall once again become liable hereunder as to the applicable space).

14.2 Tenant shall, despite any permitted assignment or sublease, remain directly and primarily liable for the performance of all of the covenants, duties and obligations of Tenant hereunder, and Landlord shall be permitted to enforce the provisions of this Lease against Tenant or any assignee or sublessee without demand upon or proceeding in any way against any other person; provided, however, in the event of an assignment of this Lease with the Landlord's consent to a new tenant which has financial ability which is the same or greater than Tenant, which consent shall not be unreasonably withheld by Landlord, Tenant shall be released from all liability under this Lease.

14.3 Consent by Landlord to a particular assignment or sublease shall not be deemed a consent to any other subsequent transaction. If this Lease is assigned or if the Leased Premises are subleased without the permission of Landlord, then Landlord may nevertheless collect rent from the assignee or sublessee and apply the net amount collected to the rent payable hereunder, but no such transaction or collection of rent or application thereof by Landlord shall be deemed a waiver of any provision hereof or a release of Tenant from the performance of the obligations of the Tenant hereunder.

14.4 All cash or other proceeds of any assignment, sale or sublease of Tenants interest in this Lease, whether consented to by Landlord or not, shall be paid to Landlord notwithstanding the fact that such proceeds exceed the rent called for hereunder, and Tenant hereby assigns to Landlord all rights it might have or ever acquire in such proceeds.

#### ARTICLE XV - TAXES AND ASSESSMENTS

15.1 Tenant shall pay, in addition to Base Rent and other charges, an amount equal to Tenant's Proportionate Share of "Real Estate Taxes" (hereinafter defined) and levies and charges and governmental impositions, duties, charges, betterment assessments and other charges and levies of like kind which are or may during the term of this Lease be charged, laid, levied or imposed upon or become a lien or liens upon the Office Building or any part thereof, or upon any buildings or appurtenances thereto or any parts thereof, or which may become due and payable with respect thereto and any and all taxes charged, laid or levied in addition to the foregoing under or by virtue of any present or future laws, requirements, rules, orders, directions, ordinances or regulations of the United States of America, the State of New Hampshire, county of Hillsborough or Town of Hudson government, or of any other municipal government or lawful authority whatsoever. All such duties and charges, including Real Estate Taxes, are referred to herein as "Taxes".

15.2 "Real Estate Taxes" means all real estate taxes, sewer taxes, and any other charges made by a public authority which upon assessment or failure of payment become a lien or liens upon the Office Building or any part thereof, or upon any buildings or appurtenances thereto, or any parts thereof, or which may become due and payable with respect thereto. If any betterment assessments are payable by law in installments, said betterment assessments are deemed payable not for the period in which the same are assessed but in installments for the periods in which the installments thereof are payable. Real estate taxes shall not include any franchise, estate, inheritance, succession, capital levy or transfer tax of Landlord or any income tax of Landlord.

15.3 Tenant shall pay to Landlord along with each installment of rent, an amount equal to one-twelfth (1/12th) of Tenant's Proportionate Share of the Taxes for the current tax year, if the amount thereof is known, or of such taxes for the prior tax year, if the amount thereof for the current tax year is not known. Upon receipt by Landlord of the final tax bill for any tax year during the term of this Lease, Landlord shall give Tenant notice of the total amount of Taxes paid by Landlord for such tax year. If the actual amount of Tenant's Proportionate Share of the Taxes with respect to such tax year exceeds the aggregate amount previously paid by Tenant, Tenant shall pay to Landlord the deficiency within fifteen days following notice from Landlord. If the aggregate amount previously paid by Tenant with respect thereto exceeds Tenant's Proportionate Share of the Taxes for such tax year, then, at Landlord's election, such surplus (net of any amounts then owing by Tenant to Landlord) shall be credited against the next ensuing installment of any such cost due hereunder by Tenant. Periodically, during the Term of this Lease, Landlord shall have the right to estimate Tenant's Proportionate Share of Taxes for the next tax year (determined by Landlord) of the term of this Lease, whereupon Tenant shall pay Landlord such revised amount as set forth in the first sentence of this Section 15.3.

15.4 Tenant shall also punctually pay and discharge all taxes which are or may during the term of this Lease be charged, laid, levied or imposed upon or become a lien upon any personal property of Tenant attached to or used in connection with Tenant's business conducted on the Leased Premises which personal property constitutes a fixture. Nothing herein contained requires Tenant to pay any taxes on the rent reserved to Landlord hereunder.

15.5 Landlord, at its option, may, but shall not be obligated to, contest or review by any appropriate proceedings, and at Landlord's expense, any tax, charge or other governmental imposition aforementioned which shall not be contested or reviewed as aforesaid by Tenant, and Tenant shall promptly join with Landlord in such contest or review if Landlord so requests. Any abatement in such taxes, less the cost incurred in obtaining the abatement, shall be reflected in the amount of taxes to be paid by Tenant the following year pursuant to this Article XV.

ARTICLE XVI - MECHANIC'S LIEN

16.1 In the event of the filing in the Hillsborough County Registry of Deeds of any notice of a builder's, supplier's or mechanic's lien on the Leased Premises or the Office Building arising out of any work performed by or on behalf of Tenant, Tenant shall cause without delay proper proceedings to be instituted to test the validity of the lien claimed, and before the end of the lease term to discharge the same by the posting of bond or otherwise; and during the pendency of any such proceeding, Tenant shall completely defend and indemnify Landlord against any such claim or lien and all costs of such proceedings wherein the validity of such lien is contested by Tenant, and during the pendency of such proceeding such lien may continue until disposition of such proceeding, and after disposition thereof, Tenant shall cause said lien to be released and discharged.

ARTICLE XVII - EMINENT DOMAIN

17.1 If the Leased Premises is lawfully condemned or taken by any public authority either in its entirety or in such proportion that it is no longer suitable for the intended use by Tenant, then this Lease will automatically terminate without further act of either party hereto on the date when possession of the Leased Premises is taken by such public authority, and each party hereto will be relieved of any further obligation to the other except that Tenant shall be liable for and shall promptly pay to Landlord any rent or other payments due hereunder then in arrears or Landlord shall promptly rebate to Tenant a pro rata portion of any rent or other such payments paid in advance. In the event the proportion of the Leased Premises so condemned or taken is such that the Leased Premises is still suitable for its intended use by Tenant, this Lease will continue in effect in accordance with its terms and a portion of the rent and other payments due hereunder will abate equal to the proportion of the rental value of the Leased Premises so condemned or taken. In either of the above events, the award for the property so condemned or taken will be payable solely to Landlord without apportionment to Tenant.

ARTICLE XVIII - LIABILITY

18.1 Except for injury or damage caused by the negligence or willful misconduct of Landlord, its servants or agents, when so proven and adjudicated in a court of competent jurisdiction, Landlord shall not be liable for any injury or damage to any person happening on or about the Leased Premises or the Office Building or for any injury or damage to the Leased Premises or to any property of Tenant or to any property of any third person, firm, association, or corporation on or about the Leased Premises or the Office Building. Tenant shall, except for injury or damage caused as aforesaid, defend (with counsel reasonably acceptable to Landlord), indemnify and hold Landlord harmless from and against any and all liability and damages, costs and expenses, including reasonable attorneys' fees, and from and



against any and all suits, claims and demands of any kind or nature whatsoever, by and on behalf of any person, firm, association or corporation arising out of or based upon any incident, occurrence, injury or damage which happens or may happen on or about the Leased Premises and from and against any matter or thing growing out of the condition, maintenance, repair, alteration, use, occupation or operation of the Leased Premises or the installation of any property therein or the removal of any property therefrom. This indemnity and hold harmless agreement shall include indemnity against all costs, expenses and liabilities incurred in or in connection with any such claim or proceeding brought thereon, in the defense thereof, including attorneys' fees. Tenant shall not settle or compromise any claim without the prior written consent of Landlord.

18.2 (a) In addition, Tenant agrees to defend with counsel acceptable to Landlord and indemnify Landlord and hold Landlord harmless from and against all claims arising from the discharge or other release onto the Leased Property from the Leased Premises of any Hazardous Material, excluding any discharge of Hazardous Material to the extent caused by Landlord, its officers, directors, agents, employees, invitees, licensees or contractors. Tenant shall not settle or compromise any claim without the consent of Landlord.

(b) Landlord agrees to defend with counsel acceptable to Tenant and indemnify Tenant and hold Tenant harmless from and against all claims arising from the discharge or other release onto the Leased Property from the Leased Premises of any Hazardous Material caused by Landlord, excluding any discharge of Hazardous Material to the extent caused by Tenant, its officers, directors, agents, employees, invitees, licensees or contractors. Landlord shall not settle or compromise any claim against Tenant without the consent of Tenant.

18.3 The obligations and liabilities Tenant hereunder with respect to the indemnities pursuant to this Article XVIII or under any other provisions of this Lease, resulting from any claim or other assertion of liability by third parties (hereinafter "Claim" or collectively, "Claims"), shall be subject to the following terms and conditions:

- (a) The party seeking indemnification (the "Indemnified Party") must give the other party (the "Indemnifying Party"), notice of any such Claim promptly after the Indemnified Party receives notice thereof.
- (b) The Indemnifying Party shall have the right to undertake, by counsel or other representatives approved by Landlord, the defense of such Claim.
- (c) In the event that the Indemnifying Party shall elect not to undertake such defense, or within a reasonable time after notice of any such Claim from the Indemnified Party shall fail to defend, the Indemnified Party

(upon further written notice to the Indemnifying Party) shall have the right to undertake the defense, compromise or settlement of such Claim, by counsel or other representatives of its own choosing, on behalf of and for the account and risk of the Indemnifying Party (subject to the right of the Indemnifying Party, upon payment of all fees and costs incurred by the Indemnified Party for defense of such Claims to assume defense of such Claim at any time prior to settlement, compromise or final determination thereof).

- (d) Anything in this Section 18.3 to the contrary notwithstanding, (i) if there is a reasonable probability that a Claim may materially and adversely affect the Indemnified Party other than as a result of money damages or other money payments, the Indemnified Party shall have the right, at his own cost and expense, to participate in the defense, compromise or settlement of the Claim, (ii) the Indemnifying Party shall not, without the Indemnified Party's written consent, settle or compromise any Claim or consent to entry of any judgment which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the Indemnified Party of a release from all liability in respect of such Claim, and (iii) in the event that the Indemnifying Party undertakes defense of any Claim, the Indemnified Party, by counsel or other representative of its own choosing and at its sole cost and expense, shall have the right to consult with the Indemnifying Party and its counsel or other representatives concerning such Claim and the Indemnifying Party and the Indemnified Party and their respective counsel or other representatives shall cooperate with respect to such Claim.
- (e) Notwithstanding any provision herein to the contrary, in the event that a response is required to a condition, occurrence or other happening which may impose liability on Landlord within a time period which does not allow notice to Tenant, Landlord shall have no obligation to notify Tenant prior to taking any action, and despite the lack of prior notice to Tenant, Tenant shall remain fully responsible to Landlord under the terms of this Article XVIII and any other provisions of this Lease.

18.4 The provisions of this Article XVIII will survive the expiration or termination of this Lease.

#### ARTICLE XIX -RULES AND REGULATIONS

19.1 Tenant, its servants, employees, agents, visitors, invitees, and licensees, shall observe faithfully and comply with the Rules and Regulations set forth in Exhibit E hereto, and shall abide by and conform to such further rules and

regulations as Landlord may from time to time reasonably make, amend or adopt, after Tenant receives a copy thereof.

#### ARTICLE XX - LANDLORD'S INSURANCE

20.1 The term "Insurance Premiums" shall mean the total annual insurance premiums which accrue on all property insurance, boiler insurance, public liability and property damage insurance, rent insurance, and any other insurance which, from time to time, may, at Landlord's election, be carried by Landlord with respect to the Office Building during any applicable calendar year (or portion thereof) occurring during the term of this Lease; provided, however, in the event, during any such calendar year, all or any part of such coverage is written under a "blanket policy" or otherwise in such manner that Landlord was not charged a specific insurance premium applicable solely to the Office Building, then in such event, the amount considered to be the Insurance Premium with respect to such coverage for such calendar year, shall be that amount which would have been the annual Insurance Premium payable under the rates in effect on the first day of such applicable calendar year for a separate New Hampshire Standard Form insurance policy generally providing such type and amount of coverage (without any deductible amount) with respect to the Office Building (considering the type of construction and other relevant matters), irrespective of the fact that Landlord did not actually carry such type policy. In the event that Tenant's activities in the Leased Premises cause an increase in Landlord's Insurance Premiums, then such increase due to Tenant's use shall be paid by Tenant upon demand from Landlord.

20.2 Monthly, during the first year of the term of this Lease, Tenant will pay to Landlord the Tenant's Proportionate Share of the Insurance Premiums (which may be estimated by Landlord), monthly in advance, payable at the same time and place as the Base Rent is payable, except, however, if the Lease Term does not begin on the first date of a calendar month, Tenant shall pay a pro rata portion of such sum for such partial month. Landlord shall have the right to adjust such monthly estimate on an annual basis, pursuant to the following paragraph hereof.

20.3 At the end of each calendar year occurring during the term of this Lease (subsequent to the expiration or other termination of this Lease, if such occurs on a date other than the last day of the calendar year), Landlord shall give Tenant notice of the total amount paid by Tenant for the relevant calendar year together with the actual amount of Tenant's Proportionate Share of Insurance Premiums for such calendar year. If the actual amount of Tenant's Proportionate Share of the Insurance Premiums with respect to such period exceeds the aggregate amount previously paid by Tenant with respect thereto during such period, Tenant shall pay to Landlord the deficiency within fifteen days following notice from Landlord; however, if the aggregate amount previously paid by Tenant with respect thereto exceeds Tenant's Proportionate Share of the Insurance Premiums Cost for such period, then, at

Landlord's election, such surplus (net of any other amounts then owing by Tenant to Landlord) shall be credited against the next ensuing installment of any such cost due hereunder by Tenant. Periodically, during the term of this Lease, Landlord shall have the right to estimate Tenant's Proportionate Share of Insurance Premiums for the next fiscal period (determined by Landlord) of the term of this Lease, whereupon, Tenant shall pay Landlord such amount as may be so indicated by Landlord.

20.4 In the event of loss, Landlord shall promptly initiate action to effect a settlement with the insurer. Tenant shall cooperate with Landlord and any mortgagee in connection with the proceeding and collection of claims, and shall execute and deliver to Landlord such proofs of loss, releases and other instruments as may be necessary to settle any such claims and obtain the proceeds thereof, and in the event Tenant fails or neglects to so cooperate or to execute and deliver any such instrument, Landlord may, as the agent or attorney in fact of Tenant, execute and deliver any such instrument, and Tenant hereby nominates and appoints Landlord the proper and legal attorney in fact of Tenant for such purpose, hereby ratifying all that Landlord may lawfully do as such attorney in fact.

#### ARTICLE XXI - TENANT'S INSURANCE

21.1 Tenant shall, from the Delivery of Possession of the Leased Premises, even if such date precedes the commencement of the term hereof, and throughout the term hereof procure and carry at its own expense comprehensive liability insurance on the Leased Premises with an insurance company authorized to do business in New Hampshire and acceptable to Landlord. Such insurance will be carried in the name of and for the benefit of Tenant and Landlord; will be written on an "occurrence" basis; and shall provide coverage of at least One Million Dollars (\$1,000,000) in case of death of or injury to one person, Two Million Dollars (\$2,000,000) in case of death of or injury to more than one person in the same occurrence, and One Million Dollars (\$1,000,000) in case of loss, destruction or damage to property. If applicable, Tenant shall comply with the requirements of the Boilers and Unfired Pressure Vessels Law (RSA 157-A), and in such event the policy or policies referred to above shall contain an endorsement providing pressure vessels insurance coverage and naming Landlord as an additional insured. Tenant shall furnish to Landlord a certificate of such insurance which must provide that the insurance indicated therein will not be canceled without at least ten (10) days' written notice to Landlord.

21.2 During any period or periods of construction by Tenant on the Leased Premises, the construction of which (a) is of a type to which Builder's Risk Insurance is applicable and (b) requires the advance written approval of Landlord pursuant to Article IX hereof, Tenant shall obtain and maintain in effect standard Builder's Risk Insurance written on a completed value basis, including extended coverage, and utilizing a maximum value at date of completion not less than the greater of (y) the

aggregate contract price or prices for the construction of such facilities or (z) the amount which may be required by a mortgagee which is financing such construction. Such insurance shall be obtained from an insurance company authorized to do business in New Hampshire and acceptable to Landlord, and Lessee shall furnish to Landlord a certificate of such insurance naming Landlord as an additional insured which shall provide that the insurance indicated therein shall not be canceled without at least ten (10) days written notice to Landlord. If such construction by Tenant is of a type to which Builder's Risk Insurance is not applicable, Tenant shall provide the necessary additional coverage under the policies referred to in this ARTICLE XXI.

21.3 Tenant shall procure and continue in force during the term hereof, all-risk insurance which contains fire and extended coverage on a full value, repair or replacement basis upon facilities, machinery, equipment and appurtenances constructed, erected or installed on or in the Leased Premises by Tenant and which have or may become the property of Landlord pursuant hereto. The policies evidencing such insurance must provide that loss, if any, payable thereunder will be payable to Landlord and/or Tenant and/or mortgagee of the Leased Premises or the Office Building as their respective interests may appear, and all such policies together with evidence of payment of the premiums thereon will be delivered to Landlord and/or any such mortgagee. All such policies must be taken in such responsible companies authorized to do business in New Hampshire as Landlord shall approve (which approval shall not be unreasonably withheld) and must be in form satisfactory to Landlord. Upon receipt of a copy of notice of cancellation of any insurance which is the responsibility of Tenant hereunder, Landlord may pay the premiums necessary to reinstate the same. The amount so paid will constitute Additional Rent payable by Tenant at the next rental payment date. Payment of premiums by Landlord will not be deemed a waiver or release by Landlord of the default by Tenant in failing to pay the same or of any action which Landlord may take hereunder as a result of such default. Tenant shall neither violate, nor allow its agents or employees to violate any of the terms, conditions and provisions of such policies.

21.4 If and to the extent permitted without prejudice to any rights of Tenant under the applicable insurance policies, Landlord shall be held free and harmless from liability for loss or damage to personal property of Tenant in the Leased Premises by fire, the extended coverage perils, sprinkler leakage, vandalism and malicious mischief if and to the extent actually insured against, whether or not such loss or damage is the result of the negligence of Landlord, its employees or agents. This subsection does not impose any added obligation or expense upon Tenant nor require that it carry any insurance of any kind and is to be construed only as a limitation upon the rights of the insurance carriers to subrogation.

ARTICLE XXII - DESTRUCTION OR DAMAGE

22.1 In the event that the Leased Premises, as it exists at the beginning of the term hereof, is totally destroyed by fire or other casualty insured against, or is so damaged that repairs and restoration cannot, in the opinion of Landlord in its sole discretion, be accomplished within a period of one hundred eighty (180) days from the date of such destruction or damage, this Lease will automatically terminate without further act of either party hereto, and each party shall be relieved of any further obligation to the other except for the rights and obligations of the parties under ARTICLES XX and XXI hereof, and except that Tenant shall be liable for and shall promptly pay Landlord any Rent then in arrears or Landlord shall promptly rebate to Tenant a pro rata portion of any Rent paid in advance. In the event that the Leased Premises is so damaged that repairs and restoration can be accomplished within a period of one hundred eighty (180) days from the date of such destruction or damage, this Lease will continue in effect in accordance with its terms; such repairs and restoration will, unless otherwise agreed by Landlord and Tenant, be performed as closely as practicable to the original specifications (utilizing therefor the proceeds of the insurance applicable thereto without any apportionment thereof for damages to the leasehold interest created by this Lease), and until such repairs and restoration have been accomplished, a portion of the rent will abate equal to the proportion of the Leased Premises rendered unusable by the damage. Landlord's obligation to restore, replace or rebuild such facilities will not exceed in amount the sum of the insurance proceeds paid to it and/or released to it by any mortgagee with which settlement was made. In the event the Leased Premises may be repaired and/or restored within the aforementioned one hundred eighty (180) day period, but the cost of such repair or restoration exceeds the available insurance proceeds, at Landlord's discretion, this Lease will be terminated in which event the rights and duties of the parties shall be governed by the first sentence of this Section 22.1. Tenant shall execute and deliver to Landlord all instruments and documents necessary to evidence the fact that the right to such insurance proceeds is vested in Landlord. Landlord shall not be responsible for damage or destruction, partial or total, to or of machinery, equipment and appurtenances constructed or installed on or in the Leased Premises by Tenant. Notwithstanding anything contained herein to the contrary, in the event that the damage to the Leased Premises results from the fault or negligence of Tenant, its agents, employees, licensees or invitees, Tenant shall not be entitled to any abatement or reduction of any rent or other sums due hereunder, and such damage shall be repaired by Tenant, or at Landlord's option by Landlord at Tenant's expense.

ARTICLE XXIII - REPOSSESSION BY LANDLORD

23.1 At the expiration of this Lease or upon the earlier termination of this Lease for any cause herein provided for, Tenant shall peaceably and quietly quit the Leased Premises and deliver possession of the same to Landlord together with the

improvements thereon at the beginning of the term hereof and all improvements constructed thereon by Tenant which are not removed pursuant to the terms hereof, and all machinery, equipment and appurtenances installed therein which have become part of the Leased Premises, or which are not to be removed pursuant to ARTICLE X hereof. At the time of delivery of possession to Landlord at the expiration of this Lease any and all machinery, equipment and appurtenances constructed or installed on or in the Leased Premises by Tenant at its expense after the beginning of the term hereof, which constitute fixtures and which have become the property of Landlord pursuant to ARTICLE X hereof will be free and clear of any mortgage, lien, pledge or other encumbrance or charge.

#### ARTICLE XXIV - MORTGAGE LIEN

24.1 This Lease and all rights of Tenant hereunder are and will remain subject and subordinate to the lien of (a) any mortgage(s) constituting a lien on the Office Building, or any part thereof, at the date hereof, and (b) the lien of any mortgage(s) hereafter executed to a person, bank, trust company, insurance company or other recognized lending institution to provide permanent financing or refinancing of the facilities on the Office Building, and (c) any renewal, modification, consolidation or extension of any mortgage or deed of trust referred to in clause (a) or (b). Tenant shall, upon demand at any time or times, execute, acknowledge and deliver to Landlord, any and all instruments that may be necessary or proper to subordinate this Lease and all rights of Tenant here under to the lien of any mortgage, deed of trust or other instrument referred to in clause (b) or clause (c) of the preceding sentence, and, in the event that Tenant shall fail or neglect to execute, acknowledge and deliver any such subordination instrument notwithstanding its receipt of a reasonable subordination, nondisturbance and attornment agreement (see below) from said mortgagee, Landlord, in addition to any other remedies, may, as the agent or attorney-in-fact of Tenant, execute acknowledge and deliver the same, and Tenant hereby nominates, constitutes and appoints Landlord as Tenant's proper legal attorney-in-fact for such purposes; provided, however, that the subordination of this Lease shall be conditioned upon the execution and delivery by the mortgagee or trustee of an agreement (i) that so long as Tenant is not in default under the terms of this Lease the mortgagee or trustee, or any person succeeding to the rights of the mortgagee or trustee, or any purchaser at a foreclosure sale under said mortgage or deed of trust, shall not disturb the peaceful possession of Tenant hereunder, and (ii) that the proceeds of insurance policies received by it in settlement of losses under insurance policies held by it will be applied to the cost of repairs and restoration in those instances in which Landlord is obligated to repair and restore pursuant to the provisions hereof.

24.2 Tenant shall execute and acknowledge a certificate containing such information as may be reasonably requested for the benefit of Landlord, any prospective purchaser or any current or prospective mortgagee of the Office Building

within ten (10) days of receipt of same. In the event Tenant fails to deliver such certificate to Landlord, Tenant irrevocably appoints Landlord as Tenant's attorney-in-fact to execute the same.

#### ARTICLE XXV - DEFAULT

25.1 In the event that (a) any installment of Rent or Additional Rent is not paid within five (5) days after the same is due and payable, or (b) Tenant defaults in the performance or observance of any other covenant or condition in this Lease and such default remains unremedied for ten (10) days after written notice thereof has been given or sent to Tenant by Landlord, or (c) any warranty or representation made by Tenant herein proves to be false or misleading, or (d) Tenant or any Guarantor makes an assignment for the benefit of creditors, is generally not paying its debts as such debts become due, a custodian is appointed or takes possession of its assets other than a trustee, receiver or agent appointed or authorized to take charge of less than substantially all of the property of Tenant or any Guarantor for the purpose of enforcing a lien against such property, commences any proceeding relating to Tenant or any Guarantor or any substantial part of its property arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction whether now or hereafter in effect, or there is commenced against Tenant or any Guarantor any such proceeding which remains undismissed for a period of sixty (60) days, or any order approving the petition in any such proceeding is entered, or Tenant or any Guarantor by any act indicates its consent to, or acquiescence in, any such proceeding or the appointment of any receiver or trustee for Tenant or any Guarantor or any substantial part of its property, or suffers any such receivership or trusteeship to continue undischarged for a period of sixty (60) days, or any party holding a security interest in any of Tenant's fixtures of personal property of any nature whatsoever that are located on the Leased Premises institutes or gives notice of foreclosure against any such property, or (e) Tenant shall have assigned or sublet the Leased Premises without the prior written consent of Landlord, or (f) Tenant shall abandon or vacate or shall commence to abandon or vacate the Leased Premises or any substantial portion of the Leased Premises or shall remove or attempt to remove, without the prior written consent of Landlord, all or a substantial portion of Tenant's goods, wares, equipment, fixtures, furniture, or other personal property, or (g) the death of any individual Tenant or Guarantor, the dissolution of any corporate Tenant or Guarantor or the termination of any partnership Tenant or Guarantor, then, in any of such events, Landlord may immediately or at any time thereafter and without demand or notice enter upon the Leased Premises or any part thereof in the name of the whole and repossess the same as of Landlord's former estate and expel Tenant and those claiming through or under Tenant and remove their effects forcibly if necessary, without being deemed guilty in any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant, and upon such entry this Lease will terminate, and in case of such termination or in case of termination under the



provisions of statute by reason of the default of Tenant, Tenant shall remain and continue liable to Landlord in an amount equal to the total Rent reserved for the balance of the term plus all additional Rent reserved for the balance of such term less the net amounts (after deducting the expenses of repair, renovation or demolition) which Landlord realizes, or with due diligence should have realized, from the reletting of the Leased Premises, plus all costs associated with the termination of the Lease, including Landlord's reasonable attorneys' fees. As used in this Section, the term "Additional Rent" means the value of all considerations other than Base Rent agreed to be paid or performed by Tenant hereunder, including, without limiting the generality of the foregoing, taxes, assessments, maintenance charges, and insurance premiums. Landlord will have the right from time to time to relet the Leased Premises upon such terms as it deems fit, and if a sufficient sum is not thus realized to yield the net rent required under this Lease, Tenant shall satisfy and pay all deficiencies as they may become due during each month of the remaining term of this Lease. At Landlord's option, upon any uncured default of Tenant hereunder, all Rent and Additional Rent due from Tenant under this Lease may be accelerated and Landlord should be entitled to a judgment therefor immediately. Nothing herein contained will be deemed to require Landlord to await the date on which this Lease, or the term hereof, would have expired had there been no default by Tenant, or no such termination or cancellation. Landlord's rights and remedies under this Lease are distinct, separate and cumulative remedies, and no one of them, whether or not exercised by Landlord, will be deemed to be in exclusion of any of the others herein or by law or equity provided. Nothing contained in this Section will limit or prejudice the right of Landlord to prove and obtain, in proceedings involving the bankruptcy or insolvency of, or a composition with creditors by, Tenant the maximum allowed by any statute or rule of law at the time in effect.

#### ARTICLE XXVI - ACCESS TO LEASED PREMISES

26.1 Landlord or its representatives shall have free access to the Leased Premises at all times in cases of emergency and at reasonable intervals during normal business hours for the purpose of inspection, or for the purpose of showing the Leased Premises to prospective purchasers or tenants, or for the purpose of making repairs which Tenant is obligated to make hereunder but has failed or refused to make; provided, that (with the exception of emergency situations), Landlord shall not unreasonably interfere with Tenant's business. The preceding sentence does not impose upon Landlord any obligation to make repairs. During the ninety (90) day period preceding the expiration of this Lease, Landlord may keep affixed to any suitable part of the outside of the building on the Leased Premises a notice that the Leased Premises is for sale or rent.

ARTICLE XXVII - NOTICES

27.1 Any written notice, request or demand required or permitted by this Lease will, until either party notifies the other in writing of a different address, be properly given if sent by certified mail, return receipt requested, or registered first class mail, postage prepaid, or delivery by a nationally recognized overnight delivery service and addressed as follows:

If to Landlord: John M. Wolters, Jr., Manager  
Century Park, LLC  
c/o Oreo Marketing Corporation  
124 Indian Rock Road  
Windham, NH 03087  
Telecopy: 603/894-1158

With a copy to: Karen S. McGinley, Esq.  
Devine, Millimet & Branch  
Professional Association  
111 Amherst Street, P.O. Box 719  
Manchester, NH 03105-0719  
Telecopy: 603/669-8547

If to Tenant: PC Connection, Inc.  
528 Route 13 South  
Milford, New Hampshire 03255  
Attention: Mr. Phillip Blaisdell

ARTICLE XXVIII - SIGNS; EXTERIOR APPEARANCE; PYLON

28.1 Tenant shall not, without Landlord's prior written consent, install any interior or exterior lighting, decorations, paintings, awning, canopies or the like; or erect or install any signs, banners, window or door lettering, placards, decorations or advertising media of any type that can be viewed from the exterior of the Leased Premises or within common areas of the Office Building. All signs, banners, lettering, placards, decorations and advertising media shall be no larger than two hundred square inches in size and shall conform in all respects to the requirements, if any, of all applicable laws, codes and ordinances and to the sign criteria established by Landlord for the Office Building from time to time in the exercise of its sole discretion, and shall be subject to the prior written approval of Landlord as to construction, method of attachment, shape, height, lighting, color and general appearance, which approval shall not be unreasonably withheld. All signs shall be kept in good condition and in proper operating order at all times. Upon the expiration or earlier termination of this Lease, Tenant shall remove the sign and restore the surface to which the sign was attached to its original condition at Tenant's

expense. In the event Tenant fails to remove the sign within 3 days from expiration or earlier termination of this Lease, the sign shall become the property of Landlord without any credit or compensation to Tenant, and Landlord may, but is not obligated to, remove and store or dispose of the sign and Tenant shall be liable to Landlord for all costs incurred by Landlord in connection therewith. Tenant shall indemnify and hold Landlord harmless from all loss, damage, cost, expense and liability in connection with such removal, storage or disposal.

28.2 The Office Building has a pylon sign shared by other tenants, and Tenant, at Tenant's cost and expense, and upon payment of the Pylon Sign Charge of \$500.00, shall have the right, subject however to the written consent of Landlord, to locate a sign advertising Tenant upon the pylon structure. Notwithstanding anything herein to the contrary, Landlord shall in all cases retain the right and power to relocate Tenant's sign located upon such pylon structure, if any, to another location on such pylon structure, to be determined by Landlord, in the sole and absolute discretion of Landlord. The cost of installation, the cost of bringing electrical service to Tenant's sign located upon the pylon structure, the sign itself and any cost incurred by Landlord in repairing or maintaining such sign shall all be the sole cost and expense of Tenant, and Tenant shall indemnify, defend, and hold Landlord harmless with respect to any claim, charge, expense, or liability for same. Under no circumstances whatsoever will Tenant be allowed to remove such sign from the pylon structure without the prior written consent of Landlord. The placement of any such sign upon the pylon structure, and the design and construction criteria therefor shall be governed by such rules, regulations and requirements as Landlord may, from time to time, promulgate. Upon expiration or earlier termination of this Lease, any sign advertising Tenant upon the pylon structure (if Landlord elects to erect any such structure) shall remain upon the pylon structure and be surrendered with the Leased Premises and become the property of Landlord without credit or compensation to Tenant, unless Landlord requires removal of such sign, in which event Landlord shall remove the same at Tenant's expense, and Tenant shall pay to Landlord upon demand, the cost of removing Tenant's sign from the pylon structure.

#### ARTICLE XXIX - SHORT FORM RECORDING

29.1 If required by the applicable statute, there shall be recorded in the Hillsborough County Registry of Deeds a Notice of this Lease that complies in content and form with New Hampshire RSA Section 477:7-a. Landlord and Tenant shall execute and deliver a Notice of Lease in such form for such purpose. In the event of termination, cancellation or assignment of this Lease prior to the expiration of the term hereof, Landlord and Tenant shall execute and deliver, in recordable form, an instrument setting forth such termination, cancellation or assignment.

ARTICLE XXX - NO BROKER

30. The parties acknowledge that OREO Marketing Corporation represents Landlord as its broker and that Landlord shall be responsible for any brokerage fee. The parties covenant that no other broker was involved in any capacity in bringing about the relationship evidenced by this Lease; and further agree that if any claim on behalf of any broker or agent is made or upheld, then the party against or through whom such claim is made shall defend (with counsel reasonably acceptable to the other party), indemnify and hold the other harmless against any damages, costs or expenses in any way attributable to such claim, including without limitation reasonable attorney's fees.

ARTICLE XXXI - WARRANTIES AND REPRESENTATIONS OF TENANT

31.1 Tenant warrants and represents to Landlord that Tenant's entrance into this Lease does not violate any other contracts, agreements, Leases or any other arrangements of any nature whatsoever that Tenant has with any third parties and that Tenant has obtained all necessary corporate authorization to enter into this Lease.

31.2 If Tenant is a corporation, Tenant represents and warrants to Landlord that Tenant (i) is a corporation duly organized, validly existing under the laws of the state of its incorporation and in good standing under the laws of the state of its incorporation and the laws of the State of New Hampshire, (ii) has paid all franchise and other taxes, if any, required to maintain the corporate existence of Tenant, and (iii) is not the subject of voluntary or involuntary proceedings for the forfeiture of the Articles of Incorporation of Tenant for its dissolution.

31.3 If Tenant is a partnership or joint venture, Tenant is duly organized and validly existing under applicable state laws, and this Lease is within Tenant's powers, has been duly authorized by all requisite action and is not in contravention of any law or the powers of Tenant's partnership or joint venture agreement, as the case may be.

Landlord represents and warrants to Tenant that Landlord's entrance into this Lease does not violate any other contracts, agreements, leases or any other arrangements of any nature whatsoever that Landlord has with any third party, and that this Lease is within Landlord's powers and has been duly authorized by all requisite action.

ARTICLE XXXII - SUCCESSION

32.1 This Lease is binding upon and will inure to the benefit of the heirs, executors, administrators, successor and permitted assigns of the parties hereto.

ARTICLE XXXIII - WAIVER

33.1 Any consent, express or implied, by Landlord to any breach by Tenant of any covenant or condition of this Lease will not constitute a waiver by Landlord of any prior or succeeding breach by Tenant of the same or any other covenant or condition of this Lease. Acceptance by Landlord of rent or other payment with knowledge of a breach of or default under any condition hereof by Tenant will not constitute a waiver by Landlord of such breach or default.

ARTICLE XXXIV - GOVERNING LAW

34.1 This Lease will be construed and interpreted in accordance with the laws of the State of New Hampshire.

ARTICLE XXXV - COUNTERPARTS

35.1 This Lease may be executed in two (2) or more counter-parts, each of which will be deemed an original and all collectively but one and the same agreement.

ARTICLE XXXVI - MODIFICATION; ENTIRE AGREEMENT

36.1 This Lease contains and embraces the entire agreement between the parties hereto and no part of it may be changed, altered, amended, modified, limited or extended orally or by agreement between the parties unless such agreement is expressed in writing and signed by Landlord and Tenant or their respective successors in interest.

ARTICLE XXXVII - SECTION HEADINGS

37.1 The headings at the beginning of each of the Sections in this Lease are solely for purposes of convenience and identification and are not to be deemed or construed to be part of this Lease.

ARTICLE XXXVIII - SEVERABILITY

38.1 If any term, clause or provision of this Lease is judged to be invalid and/or unenforceable, the validity and/or enforceability of any other term, clause or provision in this Lease will not be affected thereby.

ARTICLE XXXIX - PARKING

39.1 Tenant shall be entitled to park in five (5) undesignated parking spaces per 1,000 square feet of the Lease Premises in the paved parking lot surrounding the

Office Building for the parking of its employees, agents and invitees. Additional parking may be used by Tenant as available.

39.2 Tenant, its employees, agents and invitees, or any other party related to Tenant, shall not park or store cars, trucks, trailers or other vehicles overnight in any of the parking areas surrounding the Office Building or anywhere else on the Landlord's property.

39.3 Tenant acknowledges that Landlord will be reconstructing and repaving the parking lot surrounding the Office Building and that its right to specific parking spaces may be altered by Landlord at Landlord's sole option during such work.

ARTICLE XL - INTERPRETATION

40.1 The captions of the Articles or Sections of this lease are to assist the parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, customers, agents, invitees or successors. In addition, in any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall also include others using the Leased Premises with Tenant's permission.

IN WITNESS WHEREOF, the parties execute this Lease as of the day and year first above written.

CENTURY PARK, LLC  
("Landlord")

/s/ Karen S. McGinley  
-----  
Witness

By: /s/ John M. Wolters, Jr.  
-----  
John M. Wolters, Jr., Manager

PC CONNECTION, INC.  
("Tenant")

/s/ Celeste S. Connor  
-----  
Witness

By: /s/ Philip F. Blaisdell  
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Philip F. Blaisdell , Its Duly  
-----  
Authorized Manager  
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STATE OF NEW HAMPSHIRE  
COUNTY OF HILLSBOROUGH

The foregoing instrument was acknowledged before me this 23rd day of September, 1997, by John M. Wolters, Jr., Manager of Century Park, LLC, a New Hampshire limited liability company, on behalf of said limited liability company.

/s/ Karen S. McGinley  
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Justice of the Peace  
My Commission Expires: -----  
Notary Seal or Stamp:

[Sign in Black Ink]

STATE/Commonwealth of -----  
COUNTY OF -----

The foregoing instrument was acknowledged before me this 3 day of September, 1997, by Philip F. Blaisdell (name), Adm. Svc. Mgr, (title), of PC Connection, Inc., a corporation organized under the laws of the State/Commonwealth of New Hampshire, on behalf of said corporation.

/s/ Celeste S. Connor  
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Justice of the Peace/Notary Public  
My Commission Expires: Jan. 22, 2002  
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Notary Seal or Stamp:

[Sign in Black Ink]

Exhibits may be obtained from the Company upon written request.



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ABX AIR, INC.  
AGREEMENT OF SUBLEASE

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THIS SUBLEASE made this 7th of June, 1995, by and between ABX AIR, INC., hereinafter referred to as the Sublessor of 145 Hunter Drive, Wilmington, Ohio 45177, PC CONNECTION, INC., 6 Mill Street, Marlow, NH, 03456, hereinafter referred to as Sublessee. The Sublessee's business enterprise is organized as a corporation and is admitted to do business in the State of New Hampshire.

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W I T N E S S E T H:

ARTICLE 1. TERM  
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The Sublessor does hereby sublease and let to the Sublessee and the Sublessee accepts from the Sublessor under the terms and conditions of this Sublease, the following described Premises:

64,000 square feet, more or less, consisting of the area highlighted on Exhibit "A" attached hereto and made a part hereof, which area shall include Bays (the "Premises") in a building (the "Building") which contains 102,400 square feet more or less, located at Old State Route 73, Wilmington, Ohio 45177 hereinafter referred to as the Premises and sometimes designated as Building #3.

TO HAVE AND TO HOLD unto the Sublessee for a term of FIVE (5) years and SEVEN (7) months commencing on the 1st day of June, 1995, and ending on the 31st day of December 2000, both dates inclusive.

This Sublease is subordinate to the terms of a certain Agreement of Lease (the "Lease") dated June 26, 1990, between MILLER VALENTINE PARTNERS (MILLER VALENTINE) as Lessor and ABX AIR, Inc. Lessee, a copy of which is attached hereto as Exhibit "B".

ARTICLE 2. ACCEPTANCE OF SUBLEASED PREMISES  
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The Sublease Premises ("Premises") are delivered to the Sublessee in their existing condition which the Sublessee has examined and finds in a condition suitable for its use and purpose.

ARTICLE 3. RENT  
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Section I. Sublessee shall pay to the Sublessor Rent for the period June

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1, 1995 through December 31, 1995 for the Leased Premises the sum of ONE HUNDRED FORTY FIVE THOUSAND ONE HUNDRED FOUR AND 05/100 DOLLARS (\$145,104.05) which shall be paid in equal monthly installments of TWENTY THOUSAND SEVEN HUNDRED TWENTY NINE AND 15/100 DOLLARS (\$20,729.15), due and payable on the first day of each month, in advance, without demand.

Sublessee shall pay to the Sublessor an Annual Rent for the period January 1, 1996 through December 31, 2000 for the Leased Premises the sum of TWO HUNDRED SEVENTY SEVEN THOUSAND FIVE HUNDRED FORTY NINE AND 80/100 DOLLARS (\$277,549.80) which shall be paid in equal monthly installments of TWENTY THREE THOUSAND ONE HUNDRED TWENTY NINE AND 15/100 DOLLARS (\$23,129.15), due and payable on the first day of each month, in advance, without demand.

NOTWITHSTANDING ANYTHING ABOVE TO THE CONTRARY, SUBLESSEE'S OBLIGATION TO PAY RENT SHALL NOT BEGIN UNTIL SUBLESSOR DELIVERS POSSESSION OF THE PREMISES TO SUBLESSEE AND IN THE EVENT THAT SUCH POSSESSION IS NOT DELIVERED AT THE PROJECTED DATE, THE BEGINNING AND ENDING DATES OF THE LEASE AS WELL AS THE RENT CHANGE DATE SHALL BE ADJUSTED ACCORDINGLY.

Section II. In addition to the Annual Rent the Sublessee shall pay to the

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Sublessor a portion of the remaining balance of the unamortized cost of the improved sprinkler system. As of June 1, 1995, the remaining balance is \$69,220.00, and Sublessee agrees to pay to Sublessor the amount of \$56,295.00 payable in monthly installments of \$840.23 on the first day of each month, in advance, without demand, at the office of the Sublessor.

Section III. The total obligation due from Sublessee to Sublessor shall be

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in accordance with the following schedule:

	MONTHLY	6/1/95-12/31/95
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Annual rent for the period June 1, 1995 through December 31, 1995	\$20,729.15	\$145,104.05

Sprinkler amortization	\$ 840.23	\$ 5,881.61
Total obligation for the period June 1, 1996 through December 31, 1996	\$21,569.38	\$150,985.66

	MONTHLY	ANNUAL
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Annual rent for the period January 1, 1996 through December 31, 2000	\$23,129.15	\$277,549.80

Sprinkler amortization	\$ 840.23	\$ 10,082.76
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	MONTHLY	ANNUAL
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Total Annual obligation for the period of January 1, 1996 through December 31, 2000	\$23,969.38	\$287,632.56

Section IV. The Sublessee shall reimburse the Sublessor for the costs

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of water, gas, and electricity, including electricity costs for exterior lighting, or such other utilities and heating and air conditioning maintenance in the event that such services are furnished by Sublessor and not separately metered to the Sublessee. Said reimbursement shall be additional rent due on the first day of the calendar month next following rendition of a bill therefor. If any services are separately metered, the cost shall be paid directly by the Sublessee to the utility service. The heating and other utilities, except water, not separately metered will be prorated on the basis of the square footage serviced by a given meter and paid to Sublessor as billed. The total costs of water shall be paid by the Sublessee's and any other party, including Sublessor currently in occupancy and of any part of the building and the costs thereof shall be prorated on the basis of relative square footage occupied.

Section V. The Sublessee agrees to pay any increased real estate taxes

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with respect to the building only over and above the real estate taxes with respect to the building only paid by the Sublessor during the first year of the term of this Sublease. For this purpose, the term "real estate taxes" shall include special rent or use taxes enacted after the commencement date of this Sublease which are enacted as a substitute for a part or all of the current real estate taxes. The Sublessee's proportionate share of any such increase shall be a fraction thereof, the numerator of which is the number of square feet of floor area in the Premises and the denominator of which is the total square feet of the floor area in the Building both as specified aforesaid in the Sublease ("Sublessee's Pro Rata Share"). Said amount shall be deemed to be additional rent and shall be due and payable on the first of the month following delivery to Sublessee of a receipt for Sublessor's payment of said real estate taxes.

ARTICLE 4. COMMON AREA

For the purpose of this Sublease, common area shall be defined as all of the property described herein that is not actually occupied by the building. The Sublessee shall have the use in common with other occupants of the building to the parking areas and driveways for ingress and egress to the Premises. Parking

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is for the exclusive use of the occupants of the Building and their business invitee's. The Sublessee shall have no right to use the common area for storage purposes and trash shall be stored only in approved containers in the common area. The cost of exterior lighting and ice and snow removal will be prorated among the Lessees and Sublessee's in accordance with the percentage that the Premises bear to the entire building. The pro-rata share of such cost will be deemed to be additional rent and shall be due the first of the month following the invoice thereof by Sublessor to Sublessee of the amount due.

ARTICLE 5. USE OF PREMISES  
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Section I. The Premises shall be used and occupied only for warehousing,  
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office, light manufacturing, product assembly and repair, and distribution of products, and related activities and for no other purpose or purposes without the written consent of the Sublessor and Miller-Valentine, which consent shall not unreasonably be withheld.

Section II. The Sublessee shall operate its business in a safe and proper  
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manner as is normal, considering the uses of the Premises above provided; and shall not manufacture, store, display or maintain any products or materials that will endanger the Premises; shall do nothing that would increase the cost of insurance on the building or invalidate existing policies; shall not obstruct the sidewalks; shall not use the plumbing for any other purpose than for which it was constructed; shall not make or permit any unreasonable noise and/or odor objectionable to the public or adjacent occupants; shall not create a nuisance on the Premises; and shall commit no waste to the Premises which exceeds normal wear and tear thereon.

Section III. The Sublessee shall abide by all police and fire regulations  
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concerning the operation of its business; provided that appropriate closable containers are supplied by Sublessor for such propose; and shall practice all proper procedures and methods that are common to its business enterprise. The Sublessee shall not cause the temperature in the Premises to be set at less than 55 degrees F.

Section IV. Sublessee shall at all times keep all improvements and any  
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equipment facilities or fixtures in good order, conditions and repair and in a clean, sanitary and safe condition and in accordance with all applicable laws, ordinances and regulations of any governmental authority having jurisdiction. Sublessee shall exercise reasonable care not to cause waste, damage or injury to the Premises, normal wear and tear excepted.

Section V. Sublessee shall forthwith at its own cost and expense replace  
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with glass of the same kind and quality any cracked or broken glass, including plate glass or glass or other breakable materials used in structural portions, and any interior and exterior windows and doors in the Premises.

ARTICLE 6. COMPLIANCE WITH LEASE  
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Section I. Except as otherwise provided by this Sublease, (i) Sublessee  
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shall, throughout the term, assume and perform, for the benefit of Sublessor, all of the obligations, covenants and agreements of Sublessor as Sublessee under the Lease, to the extent that the same apply to the Subleased Premises and (ii) Sublessor grants to Sublessee, for the duration of the term of this Sublease, all of the rights and privileges granted Sublessor under the Lease with respect to the Subleased Premises.

Section II. Notwithstanding the foregoing: This Sublease is subject to all  
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of the terms and conditions of the Lease and to the performance of Lessor's obligations, under the Lease. Sublessor does not assume or agree to perform for Sublessee's benefit any of Lessor's obligations except to receive from Sublessee and transmit to Lessor any communication dealing with Sublessee's occupancy of the Premises.

Sublessor agrees throughout the term of this Sublease to perform and comply with the following provisions of the Lease:

- (a) The obligations to pay the rentals required under the Lease;
- (b) The obligations to pay to Lessor the costs enumerated in Article 3, Sections II and III above, subject, however, to Sublessee's obligation to reimburse Sublessor for the percentage of those costs set forth in Article 3, Sections II and III;
- (c) The obligation to maintain the liability insurance required under the Lease. However, Sublessee will maintain its own liability insurance as provided in Article 9 hereinafter.

ARTICLE 7. INSTALLATION AND ALTERATIONS  
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Section I. Sublessee shall not make any alterations or additions to the  
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Premises without first procuring Lessor and Sublessor's written consent and delivering to Lessor and Sublessor the plans and specifications and copies of the proposed contracts, and necessary permits, and shall furnish indemnification against liens, costs, damages and expenses as may be reasonably required by Lessor and Sublessor. Trade fixtures shall include but not be limited to the following: Conveyors, product racks and any other equipment or devices used in the storing, picking, packaging and delivery of products, whether or not they are attached to floors, walls, or ceilings. Any damages incurred by removal of trade fixtures shall be the responsibility of Sublessee. Alterations, additions, improvements and fixtures, other than trade fixtures, which may be made or installed by either of the parties hereto upon the Premises and which in any manner are attached to the floors, walls or ceilings, at the termination of the Sublease shall become the property of the Sublessor, unless Sublessor requests their removal, and shall

remain upon and be surrendered with the Premises as a part thereof, without damage or injury. Any linoleum or other floor covering of similar character which may be cemented or otherwise adhesively affixed to the floor shall likewise become the property of Sublessor, all without compensation or credit to Sublessee.

Section II. The Sublessee shall not erect or install any signage without

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first procuring Lessor and Sublessor's written consent.

Section III. The Sublessee shall have no right to use and shall not use

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the roof of the Premises for any purpose without the written consent of the Lessor and Sublessor. The Sublessee shall not use the roof for storage, for any activity that will result in traffic on the roof, for anything that will penetrate the roof, use the roof as an anchor or otherwise damage the roof. The consent of the Lessor and Sublessor must be in writing for each specific use and must also approve the method of installation of the permitted use. Should the Sublessee break this covenant, the Sublessee shall be responsible for any damages caused to the roof or other parts of the building and shall assume the cost of maintaining and repairing the roof during the term of the Sublease, including any renewals.

ARTICLE 8. INDEMNIFICATION

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Except to the extent of the negligence or misconduct of the other party, Sublessor and Sublessee hereby waive all claims against each other for damages to goods, wares, merchandise and building, in, upon or about said Premises and for injuries to persons in or about said Premises for any cause arising at any time, and Sublessor and Sublessee will hold each other exempt and harmless for and on account of any damage or injury to any person, or the goods, wares, merchandise and building, of any person, arising from the use of the Premises by Sublessee, or arising from the failure of either Sublessor or Sublessee to keep the Premises and common areas in good condition as herein provided or otherwise to comply with such indemnifying party's obligations and duties hereunder. The party claiming the right of indemnity under this Article 8 shall give the other party from whom indemnity is sought, notice of such claim or action and shall give such party from whom indemnification is sought the right to defend, compromise, or settle such claim or action and shall provide reasonable cooperation to such party with respect thereto. No party who seeks indemnification from the other shall make any payment, settlement or otherwise waive any rights without first obtaining the prior written consent of the party from whom such indemnification is sought. Sublessor shall not be liable to Sublessee for any damage by or from any act or negligence of any Co-Lessee or other occupant of the same building. Sublessee agrees to pay for all damage to the Building, as well as all damage to other Lessees or Sublessee's or occupants thereof caused by Sublessee's misuse or negligent use of said Premises, its apparatus or appurtenances.

ARTICLE 9. INSURANCE

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Section I. Sublessee shall not carry any stock of goods or do anything in  
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or about said

Premises which will actually cause insurance rates on said Premises or the building in which the same are located to be increased. If Sublessor shall consent to such use, Sublessee agrees to reimburse Sublessor on a pro-rata basis for any increase in premiums for insurance against loss by fire or extended coverage risks resulting from the business carried on in the Premises by Sublessee. If Sublessee installs any electrical equipment that overloads or may overload the power lines to the building, Sublessee shall make immediately and at its own expense make whatever changes are necessary to remedy such overload or possible overload and to avoid some in the future, and should comply with all government authorities having jurisdiction and with the requirements of any insurance underwriters and rating bureaus.

Section II. Sublessee agrees to procure and maintain a policy or policies  
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of insurance, at its own costs and expense, insuring from all claims, demands,  
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or actions for injury to or death of more than one person in any one accident  
and for damages to property in an aggregate amount of not less than  
\$2,000,000.00 made by or on behalf of any person or persons, firm or  
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corporation, arising from, related to, or connected with the conduct and  
operations of Sublessee's business in the Premises. Sublessor and Lessor shall  
be named an Additional Insured Party in said policy. Such insurance shall be  
primary relative to any other valid and collectible insurance. Said insurance  
shall not be subject to cancellation except after at least thirty (30) days  
prior written notice to Sublessor and Lessor, and the policy or policies, or  
duly executed certificate of certificates for the same, together with  
satisfactory evidence of the payment of the premium thereon, shall be deposited  
with Sublessor and Lessor at the commencement of the term and renewals of such  
coverage. If Sublessee fails to comply with such requirement, Sublessor may  
obtain such insurance and keep the same in effect, and Sublessee shall pay  
Sublessor the premium cost thereof upon demand.

Section III. All property of Sublessee or those claiming under Sublessee  
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which may be upon said Premises during the term hereof or any renewal thereof  
shall be at and upon the sole risk and responsibility of Sublessee.

ARTICLE 10. EMINENT DOMAIN  
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Section I. If the whole or substantially all of the Premises hereby leased  
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shall be taken by a public authority under the power of eminent domain, then the  
term of the Sublease shall cease as of the day possession shall be taken by such  
public authority, and the rent shall be paid up to that date with a  
proportionate refund by Sublessor of such rent as shall have been paid in  
advance.

Section II. If less than substantially all of the floor area of the  
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Premises shall be so taken, provided that the area remaining is adequate for  
Sublessee's business purposes, the term of the Sublease shall cease only on the  
parts so taken as of the day possession shall be taken by such public authority,  
and the rent shall be paid up to that day with a proportionate refund by  
Sublessor of such rents as may have been paid in advance, and thereafter the  
minimum rent shall be equitably abated.

Section III. All damages awarded for such taking under the power of

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eminent domain, whether for the whole or a part of the Premises, shall be the property of Sublessor whether such damages shall be awarded as compensation for diminution in value of the leasehold or to the fee of the Premises provided, however, that the Sublessor shall not be entitled to any separate award made to Sublessee for loss of business, depreciation to and cost of removal of stock and fixtures.

ARTICLE 11. ASSIGNMENT OF SUBLETTING  
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Section I. Sublessee shall not assign or in any manner transfer this

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Sublease or any interest therein, nor sublet said premises or any part of parts thereof, nor permit occupancy by anyone with, through, or under it without the previous written consent of Lessor and Sublessor not to be unreasonably withheld or delayed, provided, however, that any additional assignee or sublessee shall be a customer of ABX AIR, INC. unless otherwise approved by ABX AIR, INC. Consent by Lessor and Sublessor to one or more assignments of this sublease or to one or more subletting's of the Premises shall not operate as a waiver of Sublessor's rights under this Article to any subsequent assignment or subletting. No assignment or sublease shall release Sublessee of any of its obligations hereunder or be construed or taken as a waiver of any sublessor's rights or remedies hereunder.

Section II. Neither this Sublease nor any interest therein, nor any estate

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thereby created, shall pass to any trustee or receiver in bankruptcy or any assignee for the benefit of the creditors or by operation of law.

ARTICLE 12. ACCESS TO PREMISES  
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Lessor, Sublessor or its agents shall have the right to enter upon the Premises at all reasonable hours after the giving of reasonable prior notice to Sublessee for the purpose of inspecting the same or of making repairs, additions or alterations thereto or to the building in which the same are located, provided that Sublessee's operations at the Premises shall not unreasonably be interfered with or disrupted. The Lessor and Sublessor shall have the right, upon reasonable prior notice and during reasonable times, to show the Premises to prospective purchasers, and during the final year of this Sublease only to prospective Lessees and Sublessees and provided that Sublessee may prohibit such showing to companies listed on Schedule "A". Such Schedule may be updated by Sublessee on an annual basis. The exercise of such right shall not be deemed an eviction or disturbance of Sublessee's use or possession.

ARTICLE 13. LIMITATION UPON LIABILITY  
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Notwithstanding any other provision of this Sublease, Sublessee agrees to look solely to Sublessor's interest in the Lease (subject to any mortgage on the Building) for the recovery of any judgement requiring the payment of money by Sublessor; it being agreed that Sublessor,



and if Sublessor is a corporation, its directors, officers, or shareholders, shall never be personally liable for any such judgment, and no other assets of the Sublessor shall be subject to levy, execution or other procedures for the satisfaction of Sublessee's judgement. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Sublessee might otherwise have to obtain injunctive relief against Sublessor, Sublessor's successors in interest, or to maintain any other action not involving the personal liability of Sublessor, or to maintain any suit or action in connection with enforcement of collection of amounts which may become owing or payable under or an account of insurance maintained by Sublessor.

ARTICLE 14. SUBLESSOR'S SUCCESSORS  
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The term "Sublessor" as used in this Lease shall be limited to mean and include only the Lessee under the Lease with Miller-Valentine, at the time, its successors and assigns, so that in the event of any transfers or assignments of the Lease, the previous Sublessor shall be entirely released with respect to the performance of all subsequently accruing covenants and obligations on the part of Sublessor, provided the new Sublessor or Lessor, as the case may be, agrees to perform all the covenants and agreements in this Agreement of Sublease.

ARTICLE 15. SUBLESSEE'S DEFAULT  
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Section I. The Sublessee, ten (10) days after receipt of written notice,  
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shall be considered in default of this Sublease upon failure to pay when due the rent or any other sum required by the terms of the Sublease, and thirty (30) days after receipt of written notice for failure to perform any term, covenants or condition of this Sublease provided that any such failure which cannot reasonably be cured within such 30 day period shall not constitute a default so long as Sublessee shall have such cure and shall diligently pursue the same to completion; provided that such cure does not exceed 90 days from notice of default, the commencement of any action or proceeding for the dissolution, liquidation or reorganization under the Bankruptcy Act, of Sublessee, or for the appointment of a receiver or trustee of the Sublessee's property; the making of any assignment for the benefit of creditors by Sublessee; the suspension of business; or the abandonment of the Premises by the Sublessee.

Section II. In the event of default of the Sublease by Sublessee, then  
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Sublessor may pursue any and all remedies and rights available to the Sublessor under applicable Ohio law. Should Sublessor elect to reenter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Sublease, or it may without terminating this Sublease relet said Premises or any parts thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Sublessor may deem advisable, with the right to make alterations and repairs to said Premises for the purpose of re-rental. Should such rentals received from such reletting during any month be less than required to be paid by Sublessee as defined above, then Sublessee shall immediately pay such deficiency to Sublessor.

Section III. No such reentry or taking possession of said Premises by

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Sublessor shall be construed as an election on its part to terminate this Sublease, unless a written notice of such intention be given to Sublessee or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Sublessor may at any time thereafter elect to terminate this Sublease for such previous breach or act of default. Should Sublessor at any time terminate this Sublease for any breach or act of default, in addition to any other remedy it may have, it may recover from Sublessee all damages it may incur by reason of such breach or act of default, including the cost of recovering the Premises, legal fees, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Sublease for the remainder of the stated term over the then reasonable rental value of the Premises for the remainder of the stated term.

ARTICLE 16. SURRENDER OF PREMISES  
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Section I. If Sublessee holds possession of the Premises after the

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termination of this Sublease for any reason, Sublessee shall pay Sublessor double the rent provided for herein for such period that Sublessee holds over, but such payment of rent shall not create any Sublease arrangement whatsoever between Sublessor and Sublessee, unless expressly agreed to in writing by Sublessor. It is further understood that during such period that Sublessee holds over, the Sublessor retains all of Sublessor's rights under this Lease, including damages as a result of the termination of this Sublease and the right to immediate possession of the Premises. This paragraph shall not be construed to grant Sublessee permission to hold over.

Section II. At the expiration of the tenancy created hereunder, whether

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by lapse of time or otherwise, Sublessee shall surrender the Premises broom clean, free of tire marks, free of all debris and in good condition and repair, reasonable wear and loss by fire or other unavoidable casualty excepted.

Section III. Prior to surrender of the Premises, the Premises will be

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reviewed by a representative of the Sublessor and Sublessee to determine if there is any deferred maintenance or un-repaired damage for which Sublessee is responsible under Article V, Section 5 hereof. In the event that there is deferred maintenance and/or un-repaired damage, Sublessor may effect such maintenance and repairs, and Sublessee will pay the actual, reasonable cost thereof.

Section IV. Upon the expiration of the tenancy hereby created, if

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Sublessor so requests in writing, Sublessee shall promptly remove any additions, fixtures and installations placed in the Premises by Sublessee that is designated in said request (provided, however, that Sublessee shall in no event be required to remove the Sublessee's Required Improvements), and repair any damage occasioned by such removals at its own expense, and in default thereof, Sublessor may effect such removals and repairs, and Sublessee shall pay Sublessor the actual, reasonable cost thereof, with interest at the rate of eight percent (8%) per annum from the date of payment

by Sublessor.

ARTICLE 17. SUBORDINATION  
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This lease shall be subject to and subordinate at all times to the lien of any mortgages, now or hereafter made on the Premises, and to all advances made or hereafter to be made thereunder. The Sublessee agrees to execute a subordination agreement should the lender request same, provided such subordination agreement does not diminish Sublessee's rights under this Agreement of Sublease.

ARTICLE 18. NOTICE  
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All notices under this lease may be personally delivered; sent by courier service, with receipt; or mailed to the address shown by certified mail, return receipt requested. The effective date of any mailed notice shall be THREE (3) days after delivery of the same to the United States Postal Service.

SUBLESSOR: ABX AIR, INC.  
Attn: Amiel M. Kuli

ADDRESS: 145 Hunter Drive  
Wilmington, Ohio 45177

SUBLESSEE: PC Connection, Inc.  
Attn: Donald S. Kincaid

ADDRESS: 2870 Old State Rout 73  
Wilmington, OH 45177

PHONE: 513-382-4800

ARTICLE 19. WAIVER OF SUBROGATION  
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The Lessor, Sublessor and Sublessee waive all rights, each against the other, for damages caused by fire or other perils to the extent covered by insurance where such damages are sustained in connection with the occupancy of the Leased Premises.

ARTICLE 20. ESTOPPEL CERTIFICATE  
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The Sublessee agrees to execute an Estoppel Certificate for the benefit of any Lender in which the Sublessee acknowledges the terms and conditions of this Sublease.

ARTICLE 21. RENT DEMAND  
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Every demand for rent due wherever and whenever made shall have the same effect as if made at the time it falls due and at the place of payment, and after the service of any notice or commencement of any suit, or final judgement therein, Sublessor may receive and collect any rent due, and such collection or receipt shall not operate as a waiver of nor affect such notice, suit or judgment.

ARTICLE 22. NO REPRESENTATION BY SUBLESSOR  
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Sublessor and its agents have made no representations or promises with respect to the Premises or the building of which the same form a part except as herein expressly set forth.

ARTICLE 23. WAIVER OF BREACH  
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No waiver of any breach of the covenants, provisions or conditions contained in this Sublease shall be construed as a waiver of the covenant itself or any subsequent breach itself, and if any breach shall occur and afterwards be compromised, settled or adjusted, this Sublease shall continue in full force and effect as if no breach had occurred, unless otherwise agreed. The acceptance of rent hereunder shall neither be or construed to be a waiver of any breach of any term, covenant or condition of this Sublease.

ARTICLE 24. QUIET ENJOYMENT  
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Sublessor hereby covenants and agrees that so long as Sublessee performs all the covenants and agreements herein stipulated to be performed on Sublessee's part, Sublessee shall at all times during the continuance hereof have the peaceable and quiet enjoyment and possession of the Premises without any manner of let or hindrance from Sublessor or any person or persons lawfully claiming the Premises except as otherwise provided for herein.

ARTICLE 25. ENVIRONMENTAL PROVISIONS  
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Section I. Sublessee shall at all times during the term of this Sublease  
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comply with all applicable federal, state, and local laws, regulations, administrative rulings, orders, ordinances, and the like, pertaining to the protection of the environment with respect to its operations at the Premises, including but limited to, those regulating the handling and disposal of waste materials. Further, during the term of this Sublease, neither Sublessee nor any agent or party acting at the direction or with the consent of Sublessee shall treat, store, or dispose of any "hazardous substance" as defined in Section 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") or petroleum (including crude oil or any fraction thereof) on or from the Property.

Section II. Sublessee shall fully and promptly pay, perform, discharge,  
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defend, indemnify and hold harmless Sublessor from any and all claims, orders, demands, causes or

action, proceedings, judgments, or suits and all liabilities, losses, costs or expenses (including, without limitation, technical consultant fees, court costs, expenses paid to third parties and reasonable legal fees) and damages arising out of, or as a result of, (i) any "release" as defined in Section 101(22) of CERCLA, of any "hazardous substance," as defined in Section 101(14) of CERCLA, or petroleum (including crude oil or any fraction thereof) or placed into, on or from the Property at any time after the date of this Sublease by Sublessee, its agents, or employees; (ii) any contamination of the Property's soil or groundwater or damage to the environment and natural resources of the Property the result of actions occurring after the date of this Sublease, whether arising under CERCLA or other statutes and regulations, or common law by Sublessee, its agents, or employees; and (iii) any toxic, explosive or otherwise dangerous materials or hazardous substances which have been buried beneath, concealed within or released on or from the Property after the date of this Sublease by Sublessee, its agents, or employees.

Section III. Sublessor shall fully and promptly pay, perform, discharge,  
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defend, indemnify and hold harmless Sublessee from any and all claims, orders, demands, causes or action, proceedings, judgments, or suits and all liabilities, losses, costs or expenses (including, without limitation, technical consultant fees, court costs, expenses paid to third parties and reasonable legal fees) and damages arising out of, or as a result of, (i) any "release" as defined in Section 101(22) of CERCLA, of any "hazardous substance," as defined in Section 101(14) of CERCLA, or petroleum (including crude oil or any fraction thereof) or placed into, on or from the Property at any time after the date of this Sublease by Sublessor, its agents, or employees; (ii) any contamination of the Property's soil or groundwater or damage to the environment and natural resources of the Property the result of actions occurring after the date of this Sublease, whether arising under CERCLA or other statutes and regulations, or common law by Sublessor, its agents, or employees; and (iii) any toxic, explosive or otherwise dangerous materials or hazardous substances which have been buried beneath, concealed within or released on or from the Property after the date of this Sublease by Sublessor, its agents, or employees."

ARTICLE 26. INTERPRETATION  
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Section I. Wherever either the "Sublessor" or "Sublessee" is used in the  
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Sublease, it shall be considered as meaning the singular and/or neuter pronouns as used herein, and the same shall be construed as including all persons and corporations designated respectively as Sublessor or Sublessee in the heading of this instrument wherever the context requires.

Section II. If any clause, sentence, paragraph or part of this Sublease  
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shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not effect, impair, or invalidate the remainder of this Sublease, but be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered, and in all other respects said Sublease shall continue in full force and effect.

ARTICLE 27. FINANCIAL STATEMENTS

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At Sublessor's request, Sublessee shall furnish the Sublessor with its most current financial information. Sublessee's specific financial information shall include items listed in Schedule "B".

ARTICLE 28. MEMORANDUM OF LEASE

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It is agreed by both parties that this instrument is not recordable and if either party should record the same in the Office of the Recorder of Clinton County, Ohio, the recording shall have no effect. When possession of the Premises has been delivered to Sublessee, the parties hereto may execute, acknowledge and deliver a Memorandum of Lease in recordable form specifying the terms of this Sublease and renewal periods of this Sublease.

ARTICLE 29. TIME

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Time is of the essence in this Sublease.

ARTICLE 30. ENTIRE AGREEMENT

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This Sublease contains the entire agreement between the parties with respect to the use and operation of the Premises by Sublessee; it supersedes all previous understandings and agreements between the parties, if any, and no oral or implied representation or understandings shall vary its terms; and it may not be amended except by a written instrument executed by both parties hereto.

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IN WITNESS WHEREOF, the parties hereto set their hands to triplicates hereof this 7th day of June, 1995, as to Sublessor, and this 1st day of June, 1995, as to Sublessee.

Signed and Acknowledged  
in the presence of :

SUBLESSOR  
ABX AIR, INC.

By /s/  
-----  
Its Vice President  
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Signed and Acknowledged  
in the presence of :

SUBLESSEE  
PC Connection, Inc.

/s/ Steve Markiewicz  
-----

By /s/ Charles Morang  
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Its Director, Infrastructure  
Development  
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STATE OF OHIO, COUNTY OF CLINTON, SS:

The foregoing instrument was acknowledged before me this 7th day of June,  
1995, by Amiel M. Kuli, Vice President on behalf of ABX AIR, INC., a Delaware  
corporation.

/s/ Phyllis J. King  
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PHYLLIS J. KING  
Notary Public, Sate of Ohio  
My Commission Expires August  
Recorded in Highland County

STATE OF NEW HAMPSHIRE, COUNTY OF CHESHIRE, SS:

The foregoing instrument was acknowledged before me this 1st day of June,  
1995, by Charles Morang, Director, Infrastructure Development, on behalf of PC  
Connection, Inc., a corporation.

/s/ Steve Markiewicz  
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STEVEN MARKIEWICZ, Notary Public  
My Commission Expires January 7, 1997

Exhibits to this Agreement of Sublease may be obtained from the Registrant upon written request.



PC CONNECTION, INC.

EMPLOYMENT AGREEMENT

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In consideration of my employment and the compensation paid to me by PC Connection, Inc. (the "Corporation"), a New Hampshire corporation with an office at 6 Mill Street, Marlow, New Hampshire 03456, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I agree as follows:

1. Employment Status: The Corporation hereby employs me, and I hereby

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accept employment, on the terms and conditions set forth in this Agreement. I understand that I am employed for an indefinite term and that either the Corporation or I may terminate the employment relationship at any time pursuant to Section 6 hereof. My first day of employment with the Corporation will be the date listed in Schedule A attached hereto.

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2. Duties: I shall perform the duties of the job title listed on

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Schedule A and such other or additional duties and responsibilities as may be

assigned to me from time to time by the Board of Directors of the Corporation. As long as I am employed by the Corporation, I shall devote my skill, energy and best efforts to the faithful discharge of my duties as a full-time employee of the Corporation. My principal place of employment shall be at the Corporation's various corporate and other offices, including an office at the Corporation's Bradco Street Building and in Milford, New Hampshire. I shall, when possible, perform my duties at such offices of the Corporation; however, I realize that it will, at times, be necessary to perform duties at my address on my equipment or on equipment provided by the Corporation. I agree that I will not without the Corporation's specific written consent engage in any employment, occupation or the provision of consulting services for a fee other than for the Corporation or for Affiliates of the Corporation for so long as I am employed by the Corporation. Nothing in this Agreement is intended to prevent me from performing or providing services for an Affiliate of the Corporation, as may be agreed upon from time to time by me and such Affiliate of the Corporation.

3. Compensation and Benefits: I shall receive the compensation and

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other consideration, if any, described on Schedule A and in addition shall be

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entitled to at least three weeks vacation annually, plus holidays and sick leave, and to participate in such employee benefit plans and to receive such other fringe benefits, as are customarily afforded the Corporation's employees having positions and seniority comparable to my own. Any payments or benefits in respect of any calendar year during which I am employed for less than the entire year shall, unless otherwise provided in the applicable plan or arrangement, be prorated in accordance with the number of days in such calendar year during which I am employed by the Corporation. I understand and agree that these employee benefit plans and fringe benefits may be amended, enlarged, or diminished by the Corporation in its discretion

from time to time; provided, however, that my vacation benefits shall at no time be less than three weeks per year. The Corporation shall provide me with descriptions of such benefit plans as are in effect from time to time. The Corporation shall also reimburse me for reasonable out-of-pocket disbursements, which may include travel expenses, educational expenses, computer supplies and equipment or other products which I may require in connection with the performance of my duties hereunder, such as disks, books, software, cellular air time or telephone charges, provided such expenses are accounted for in accordance with the policies and procedures established by the Corporation. All material paid for by the Corporation shall be the property of the Corporation.

4. Performance: I shall use my best efforts to perform my assigned

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duties diligently, loyally, conscientiously, and with skill commensurate with my qualifications and experience, and shall comply with all rules, procedures and standards promulgated from time to time by the Corporation with regard to conduct of employees of the Corporation and with regard to access to and use of the Corporation's property, equipment, and facilities. Among such rules, procedures and standards are those governing ethical and other professional standards for dealing with customers, government agencies, vendors, competitors, consultants, fellow employees, and the public-at-large; security provisions designated to protect the Corporation's property and the personal security of the Corporation's employees; and rules and procedures designed to protect Confidential Information, as defined below.

5. The Corporation's Management Rights: The Corporation retains its

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full discretion to manage and direct its business affairs, including without limitation the choice of sources, methods and degree of financing and the adoption, amendment or modification of such research, development, production, customer service or marketing methods and approaches as it sees fit, notwithstanding any employee's individual interest in or expectation regarding a particular business program or product.

6. Termination: (a) The employment relationship established by this

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Agreement may be terminated voluntarily by me at any time, without cause, on twelve weeks prior written notice to the Corporation. The employment relationship established by this Agreement may be terminated by the Corporation at any time, without cause, effective upon delivery to me of written notice thereof. In addition, if the Corporation permanently relocates its corporate offices to a location not in the vicinity of Marlow, Keene or Milford, New Hampshire, I shall be entitled to terminate my employment relationship, effective upon the effective date of such relocation.

b) In the event that my employment hereunder is terminated by the Corporation or by any successor in interest to the Corporation without cause or by me due to a permanent relocation of the Corporation's corporate offices as described in paragraph (a) above, and I am not, within thirty days following such termination,

offered employment by another entity that is owned or controlled by either Patricia Gallup or David Hall or both of them for the same base salary, deferred incentive compensation and additional compensation as set forth herein, I shall be entitled to payment of severance pay equal to one year of my Base Salary as of the effective date of my termination set forth on Schedule A, such severance

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pay to be payable as follows: (i) a single lump sum of \$200,000 payable within thirty days of the effective date of my termination and (ii) the difference, if any, between my Base Salary and \$200,000 payable in quarterly installments over the course of the twelve months immediately succeeding the effective date of my termination. The payment of such severance pay under this Agreement is subject to my full compliance with any and all of my obligations to the Corporation or any Affiliate of the Corporation, whether under this Agreement or otherwise. I agree that my acceptance of such severance pay, whether paid by the Corporation or any guarantor of the Corporation's obligations, will be in full and complete satisfaction of any and all claims that I may have against the Corporation, its officers, directors, employees, agents, stockholders and Affiliates. I further agree that my receipt of such severance pay, may, at the election of the Corporation, be conditioned upon my execution of a general release of any and all such claims prior to my receipt of such severance pay.

(c) The Corporation may terminate my employment for cause at any time without prior notice. Cause shall mean failure to comply with rules, standards or procedures promulgated by the Corporation, negligent or substandard performance of my assigned responsibilities, breach of the terms of this Agreement, falsification of Corporation records or documents, or any act of dishonesty or moral turpitude or any other statement, act or omission to act made or taken in bad faith or contrary to the direction of the Board of Directors of the Corporation that materially and adversely affects the businesses of the Corporation or any Affiliate of the Corporation or the owners thereof. Termination of the employment relationship terminates any obligation on the part of the Corporation or any of its Affiliates to make any further payments hereunder, with the exception of any accrued but unpaid payments and severance pay as described above, if any. Termination of employment by the Corporation shall be without prejudice to any other right or remedy to which the Corporation may be entitled, at law or in equity, under this Agreement or otherwise.

7. Agreement not to Compete with the Corporation:

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(a) As long as I am employed by the Corporation, or by any Affiliate of the Corporation, I shall not participate, directly or indirectly, in any capacity, in any business or activity that is in competition with the business of the Corporation or of any Affiliate of the Corporation. This section does not limit interpretation of the scope of my obligations as set forth in Section 2, above.

(b) For a period of two years after the termination of my employment with the Corporation or with any Affiliate of the corporation, so long as such

termination did not constitute or result from a substantial, material breach of this Agreement by the Corporation or any Affiliate of the Corporation, I shall not, on my own behalf, or as owner, manager, stockholder, consultant, director, officer or employee of any business entity, participate in the development or provision of goods or services which are competitive with goods or services provided (or proposed to be provided) by the Corporation or by any Affiliate of the Corporation without the express written authorization of the Corporation's Directors. For purposes of this Agreement, a product or service shall be deemed competitive with the Corporation or an Affiliate of the Corporation if such product or service is offered as or could be used as an alternative to or substitute for any product or service now or hereafter offered by the Corporation or any Affiliate of the Corporation. Notwithstanding the foregoing, the Corporation agrees that I may trade in the stock of any company which is listed on a national or international stock exchange, so long as I do not acquire more than one percent (1%) of the total outstanding stock of any such company.

(c) For a period of two years after the termination of my employment with the Corporation or with any Affiliate of the Corporation, so long as such termination did not constitute or result from a substantial, material breach of this Agreement by the Corporation or any Affiliate of the Corporation, I shall not solicit, induce, attempt to hire, or hire any employee of the Corporation, or of any Affiliate of the Corporation, (or any other person who was employed by the Corporation or by any Affiliate of the Corporation within one year prior to the termination of my employment), or assist in such hiring by any other person or business entity or encourage any such employee to terminate his or her employment with the Corporation or with any Affiliate of the Corporation.

(d) I shall not make any statements that are derogatory of the businesses of the corporation or any Affiliate of the Corporation or the owners thereof, nor shall I make any statements, take any actions or omit to take any actions that will harm the reputation of the businesses of the Corporation or any Affiliate of the Corporation or the owners thereof.

(e) For purposes of this Agreement, an "Affiliate" of the Corporation shall be deemed to be any person, persons or entity that is controlled by, under common control with, or that controls the Corporation. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), means the possession, directly or indirectly, of the power to direct or cause the direction of the actions, management or policies of a person, persons or entity, whether through the ownership of voting securities, by contract or otherwise.

8. Nondisclosure of Confidential Information:  
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While employed by the Corporation and thereafter, I shall not, other than pursuant to my employment by and for the benefit of the Corporation or as may be

required by law, directly or indirectly, use any Confidential Information, copy any Confidential Information, remove any Confidential Information from the Corporation's premises, or disclose any Confidential Information to anyone outside of the Corporation or to anyone within the Corporation who has not been authorized to receive such information; provided, however, that in the event that I am required by law to disclose any Confidential Information, I shall reasonably notify the Corporation in writing of such requirement so as to provide the Corporation with a reasonable opportunity to object thereto and I shall take appropriate actions to protect any such Confidential Information, including, without limitation, obtaining a protective order or the like. On request, I promptly shall deliver to the Corporation all Confidential Information, whether written or contained in any other medium or computer hardware outside the Corporation's premises, which is in my possession or under my control, and shall return all such things promptly upon termination of my employment with the Corporation.

The term "Confidential Information" as used throughout this Agreement shall mean all data or information (and any tangible evidence, record or representation thereof), whether prepared, conceived or developed by or for the Corporation or received by the Corporation from an outside source, which is not generally known outside of the Corporation and which is maintained in confidence by the Corporation or by any Affiliate of the Corporation. Without limiting the generality of the foregoing, confidential Information shall include:

(a) identities of customers, customer lists and other customer information, sales information, the name of any customer, employee, prospective customer or consultant, any unpublished sales or marketing material, plan or survey, oral or written agreements with vendors and distributors, pricing methods, purchasing and sales contacts, and sales figures;

(b) any idea, improvement, invention, innovation, development, technical data, design, formula, device, pattern, concept, computer program, computer screen layout, model, diagram, schematic, equipment, tool, training or service manual, product specification and other technical information, plan for a new or revised product or service, compilation of information or work in process, and any and all revisions and improvements relating to any of the foregoing;

(c) any business plan or opportunity; information regarding marketing methods and plans, and plans for expansion, diversification, sales, financing and the like, any product or development plan or specification, any business proposal, financial record or information, or business record, and all other non-public records and information relating to the present or proposed business of the Corporation; and

(d) any materials that reflect the information described in Sections 8(a) through 8(c); "materials" includes, without limitation, any documents, memoranda, notes, notebooks, reports, studies, programs, data, drawings, schematics, ideas, diskettes, files, slides, and any material generated by or for the Corporation, stored or contained in any medium.

Each item above is included, without limitation, as "Confidential Information" regardless of whether it is stored in any tangible medium, or the type of medium in which the information may be stored. Information is confidential independently of whether it was created individually or together with others, and independently of whether it was created during or outside of regular working hours, so long as the information was created for the benefit of the Corporation or by utilizing Corporation time, resources, materials or information.

Notwithstanding the foregoing, the term "Confidential Information" shall not apply to information which the Corporation has voluntarily disclosed to the public without restriction, or which is otherwise known to the public at large.

9. Rights in Documents and Work Product:  
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(a) I agree that all originals and all copies of all manuscripts, drawings, prints, manuals, diagrams, letters, notes, notebooks, reports, models, and all other materials containing, representing, evidencing, recording or constituting any Confidential Information (as defined above), however and whenever produced (whether by myself or others) (herein referred to as "Documents") shall be the property solely of the Corporation.

(b) I agree that all work Product (as hereinafter defined) shall be the property solely of the Corporation I agree that all Work Product shall constitute work made for hire under the copyright laws of the United States and I hereby assign, and to the extent that such assignment cannot be made at this time, agree to assign, to the Corporation any and all copyrights, patents, and other proprietary rights I may have in any Work Product, together with the right to file and/or own wholly without restrictions applications for United States and foreign patents, trademark registrations and copyright registrations and any patent, copyright or trademark registration issuing thereon. I agree to waive, and hereby waive, all moral rights or proprietary rights which I may have in or to any Work Product and, to the extent that such rights may not be waived, agree not to assert such rights against the Corporation or its licensees, successors or assigns.

(c) The term "Work Product" as used throughout this Agreement shall mean any and all discoveries, inventions, ideas, concepts, research, trademarks, service marks, good will, slogans, logos and other information, processes, products, techniques, methods and improvements, or parts thereof conceived, developed, or

otherwise made by me alone or jointly with others, during the period of my employment with the Corporation or with any Affiliate of the Corporation or during the six month period next succeeding the termination of my employment with the Corporation or with any Affiliate of the Corporation, and in any way relating to the present or proposed products, programs or services of the Corporation or of any Affiliate of the Corporation, or to tasks assigned to me during the course of my employment, whether or not patentable or subject to copyright or trademark protection, whether or not reduced to tangible form or reduced to practice, whether or not made during my regular working hours, whether or not made on the Corporation's premises, whether or not Confidential Information and whether or not disclosed by me to the Corporation.

10. Obligation to Keep Records: I shall make and maintain adequate and -----

current written records of all Work Product and I shall disclose all Work Product promptly, fully and in writing to the Corporation's Directors, or to such person as the Corporation's Directors may designate, immediately upon development of the same and at any time upon request.

11. Obligation to Cooperate: I will, at any time during my employment, -----

or after it terminates, at the request of the Corporation, execute all documents and perform all lawful acts which the Corporation considers necessary or advisable to secure its rights hereunder and to carry out the intent of this Agreement. It is understood that my reasonable out-of-pocket expenses of my assistance incurred at the request of the Corporation will be reimbursed by the Corporation.

12. Conflicts of Interest: I understand that my position with the -----

Corporation may require me to have contact with persons outside the Corporation such as vendors, contractors, and government agencies and officials. I agree to adhere strictly to the Corporation's policy against giving gifts of any kind to, or receiving gifts of any kind from, such persons. I also agree to comply with any additional guidelines and policies that the Corporation may adopt from time to time.

13. Return of Property -----

(a) Immediately upon the cessation of my employment by the Corporation, or earlier upon request of the Corporation, I shall return any Documents, manuals, specifications, drawings, blueprints, reproductions, sketches, notes, reports, proposals, business plans, computer programs, or copies of them, other documents or materials, tools, equipment or other property belonging to the Corporation, to any Affiliate of the Corporation or to their customers.

(b) If requested to do so by the Corporation, I agree to sign a Termination Certificate in which I state whether I have complied with the requirements of this section and in which I acknowledge that certain restrictions

imposed upon me by this Agreement and by my other agreements with the Corporation continue after termination of employment. I understand, however, that my rights and obligations under this Agreement will continue even if I do not sign a Termination Certificate.

14. Exceptions to this Agreement: I hereby certify that my performance of

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all the terms of this Agreement and as an employee of the Corporation does not and will not breach any agreement or other obligation owing to any other person, including, without limitation, obligations to keep in confidence proprietary information, knowledge or data acquired by me in confidence or in trust prior to my employment with the Corporation, and I will not disclose to the Corporation or induce the Corporation to use any confidential information or material belonging to any previous employer or others. I hereby certify that I have identified on Schedule B attached hereto any and all continuing obligations to

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any previous employers or other persons which require me not to disclose to the Corporation any information and that I have also identified on Schedule B any

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and all Confidential Information, Documents or Work Product which I claim as my own or otherwise intend to exclude from this Agreement. I understand and agree that once I have signed this Agreement I may not exclude any other Confidential Information, Document or Work Product from this Agreement without the written consent of the Chief Executive Officer of the Corporation.

15. General Provisions.

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(a) Governing Law. This Agreement shall be governed by, and

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construed and enforced in accordance with, the substantive laws of the state of New Hampshire, without regard to its principles of conflicts of laws, and shall be deemed to be effective as of the first day of my employment by the Corporation.

(b) Counterparts. This Agreement may be executed in counterparts.

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(c) Entire Agreement. This Agreement contains the entire and only

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agreement between me and the Corporation respecting the subject matter hereof, and no modification, renewal, extension, waiver or termination of this Agreement or any of the provisions herein contained shall be binding upon me or the Corporation unless made in writing and signed by me and an authorized officer of the Corporation. In the event of any inconsistency between this Agreement and any other contract between me and the Corporation, the provisions of this Agreement shall prevail. This Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder, except as otherwise expressly provided herein. I shall not assign any of my rights, or delegate any of my duties, hereunder without the prior written consent of the Chief Executive Officer of the Corporation.



(d) Waiver of Rights, Cumulative Rights. The waiver by either party

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of a breach of any provision of this Agreement shall not operate as a waiver of any subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy by such party preclude any other right or remedy. All rights and remedies hereunder are cumulative and are in addition to all other rights and remedies provided by law, agreement or otherwise.

(e) Survival. My obligations under this Agreement shall survive the

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termination of my employment with the Corporation regardless of the manner of or reasons, if any, for such termination, and regardless of whether such termination constitutes a breach of this Agreement or of any other agreement I have with the Corporation. My obligations under this Agreement shall be binding upon my heirs, executors and administrators, and the provisions of this Agreement shall inure to the benefit of and be binding on the successors and assigns of the Corporation.

(f) Severability. If the scope of any provision contained herein is

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too broad to permit enforcement of such provision to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and I hereby consent and agree that such scope may be judicially modified in any proceeding brought with respect to the enforcement of such provision. Without limiting the generality of the foregoing, in the event that any provision of this Agreement shall be determined to be unenforceable by reason of its extension for too great a period of time or over too large a geographic area or over too great a range of activities, it shall be interpreted to extend only over the maximum period of time, geographic area or range of activities as to which it may be enforceable. Except as otherwise provided in the preceding two sentences, if any provision of this Agreement shall be construed to be illegal or invalid, the legality or validity of any other provision hereof shall not be affected thereby, and any illegal or invalid provision of this Agreement shall be severable, and all other provisions shall remain in full force and effect.

(g) Remedies. I recognize that money damages alone would not

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adequately compensate the Corporation in the event of my breach of this Agreement, and I therefore agree that, in addition to all other remedies available to the Corporation at law or in equity, the Corporation shall be entitled to injunctive relief for the enforcement hereof. Failure by the Corporation to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such terms, covenants or conditions.

(h) Arbitration. Any dispute arising under or in connection with

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this Agreement that is not first resolved by the parties to such dispute or controversy shall, at the election of me or the Corporation, be determined and settled exclusively by an arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect; provided, however, that in no event shall the

election of an arbitrator pursuant to this sentence preclude either party hereto from seeking injunctive relief in any court of law pending the outcome of arbitration. The arbitrator shall be selected pursuant to such Rules. The place of arbitration shall be Boston, Massachusetts or Marlow, New Hampshire, at the election of the Corporation. An award rendered in such arbitration shall be final and binding on the parties and judgment may be entered on the arbitrator's award in any court having jurisdiction. The existence of the arbitration proceeding and the outcome thereof, including the amount of any award, shall be kept confidential and not publicly disclosed by any party to this Agreement except for such disclosure as may be required by law.

(i) References and Titles. A reference to a Section shall mean a  
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Section in this Agreement unless otherwise expressly stated. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement which shall be considered as a whole.

(j) Effective Date. This Agreement shall be deemed to be effective  
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as of the first day of my employment by the Corporation.

(k) Seal. This Agreement is executed under seal.  
-----

BEFORE SIGNING, I ACKNOWLEDGE THAT I HAVE READ THIS AGREEMENT, THAT I AGREE TO ALL OF ITS TERMS, AND THAT THIS AGREEMENT SUPERSEDES ANY PRIOR AGREEMENT ON THE SAME SUBJECT. I FURTHER ACKNOWLEDGE THAT I HAVE BEEN GIVEN A COPY OF THIS AGREEMENT, AND HAVE HAD AN OPPORTUNITY TO DISCUSS ANY QUESTIONS WITH THE CORPORATION'S.

PERSONNEL MANAGER AND LEGAL COUNSEL AND WITH INDEPENDENT COUNSEL OF MY CHOICE.

ACCEPTED:

PC CONNECTION, INC.

EMPLOYEE:

By: /s/ Patricia Gallup  
-----

/s/ Wayne Wilson  
-----

Date: 8/16/95  
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Date: 8/16/95  
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Schedule A  
To  
Employment Agreement

Name: Wayne L. Wilson

Job Title: Senior Vice President of Finance and  
Chief Financial Officer

Starting Date: 8/28/95

Base Salary: \$230,000 per annum, payable semi-monthly in arrears

Deferred  
Incentive  
Compensation: In the first year of your employment under this Agreement,  
Deferred Incentive Compensation equal to Seventy Thousand  
Dollars (\$70,000.00) will be paid in quarterly installments  
of Seventeen Thousand, Five Hundred Dollars (\$17,500.00)  
each, within 45 days after the end of each calendar quarter,  
based on the attainment by you of quarterly performance goals  
for such year. At the beginning of the second year and each  
succeeding year of your employment under this Agreement, the  
Corporation may, in its discretion, allocate up to Thirty-  
Five Thousand Dollars (\$35,000.00) as a year-end bonus which  
will be paid within 45 days after the end of the calendar  
year, based on the attainment by you of annual performance  
goals for the year. During the second year and each  
succeeding year, Deferred Incentive Compensation equal to the  
difference between the amount actually allocated as the year-  
end bonus and Seventy Thousand Dollars (\$70,000.00) will be  
paid in quarterly installments within 45 days after the end  
of each calendar quarter, based on the attainment by you of  
quarterly performance goals for the year. Quarterly and  
annual performance goals are to be determined by agreement  
between you and the Chief Executive Officer ("CEO") of the  
Corporation or, in the event that you and the CEO are unable  
to reach an agreement, by the Board of Directors of the  
Corporation. Such quarterly and annual performance goals must  
be reasonable and such Deferred Incentive Compensation shall  
not be withheld unreasonably.

Schedule B  
To  
Employment Agreement

EXCEPTIONS

Name: Wayne L. Wilson

Job Title: Senior Vice President of Finance and  
Chief Financial Officer

Description of Prior Commitments and Agreements:

Non-competition agreement with Deloitte & Touche LLP.

Transition time as reasonably may be required to complete satisfactorily my commitments to Deloitte & Touche LLP for client services under my supervision.

Description of Excluded Confidential Information, Documents, and Work Product:

Confidentiality obligations with respect to confidential information about Deloitte & Touche LLP and clients of Deloitte & Touche LLP.

Additional

Compensation: In each of the first two quarter-years of your employment, you shall receive one-half of the difference between Seventy-Five Thousand Dollars (\$75,000.00) and the amount of bonus compensation, if any, paid to you by Deloitte & Touche LLP with respect to the last year of your employment by the said Deloitte & Touche LLP, up to a limit of Twelve Thousand Five Hundred Dollars (\$12,500.00) in each such quarter-year.

Stock Options: You shall receive stock options for 50,000 shares of Series A Non-Voting Common Stock of the Corporation under the terms and conditions of the Non-Statutory Stock Option Agreement granted to you by the Corporation of even date herewith.

In addition, you shall be eligible to receive future options at the discretion of the Board of Directors of PC Connection, Inc.

PC CONNECTION, INC.

EMPLOYMENT AGREEMENT

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In consideration of my employment and the compensation paid to me by PC Connection, Inc. (the "Corporation"), a New Hampshire corporation with an office in Keene, New Hampshire, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I agree as follows:

1. Employment Status: The Corporation hereby employs me, and I hereby

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accept employment, on the terms and conditions set forth in this Agreement I understand that I am employed for an indefinite term and that either the Corporation or I may terminate the employment relationship at any time pursuant to Section 6 hereof. My first day of employment with the Corporation will be the date listed on Schedule A attached hereto.

2. Duties: I shall perform the duties described in Schedule A and such

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other or additional duties and responsibilities as may be assigned to me from time to time by the Chief Executive Officer of the Corporation. As long as I am employed by the Corporation, I shall devote my skill, energy and best efforts to the faithful discharge of my duties as a full-time employee of the Corporation. I shall, when possible, perform these duties at an office of the Corporation; however, I realize that it will, at times, be necessary to perform duties at my address on my equipment or on equipment provided by the Corporation. I agree that I will not without the Corporation's specific written consent engage in any employment, occupation or consultation other than for the Corporation for so long as I am employed by the Corporation.

3. Compensation and Benefits: I shall receive the compensation and other

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consideration, if any, described on Schedule A and in addition shall be entitled to vacation time, holidays, sick leave, and to participate in such employee benefit plans and to receive such other fringe benefits, as are customarily afforded the Corporation's employees having positions and seniority comparable to my own. Any payments or benefits in respect of any calendar year during which I am employed for less than the entire year shall, unless otherwise provided in the applicable plan or arrangement, be prorated in accordance with the number of days in such calendar year during which I am employed by the Corporation. I understand and agree that these employee benefit plans and fringe benefits may be amended, enlarged, or diminished by the Corporation in its discretion from time to time. The Corporation shall provide me with descriptions of such benefit Plans as are in effect from time to time. The Corporation shall also reimburse me for reasonable out-of-pocket disbursements, which may include travel expenses, educational expenses, computer supplies and equipment or other products which I may require in connection with the performance of my duties hereunder, such as disks, books, software, cellular air time or telephone charges, provided such expenses

are approved in advance by the Corporation's Chief Financial Officer and are accounted for in accordance with the policies and procedures established by the Corporation. All material paid for by the Corporation shall be the property of the Corporation.

4. Performance: I shall use my best efforts to perform my assigned duties

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diligently, loyally, conscientiously, and with skill commensurate with my qualifications and experience, and shall comply with all rules, procedures and standards promulgated from time to time by the Corporation with regard to conduct of employees of the Corporation and with regard to access to and use of the Corporation's property, equipment, and facilities. Among such rules, procedures and standards are those governing ethical and other professional standards for dealing with customers, government agencies, vendors, competitors, consultants, fellow employees, and the public-at-large; security provisions designated to protect the Corporation's property and the personal security of the Corporation's employees; rules respecting attendance, punctuality, and hours of work; and rules and procedures designed to protect Confidential Information, as defined below.

5. The Corporation's Management Rights: The Corporation retains its full

-----  
discretion to manage and direct its business affairs, including without limitation the choice of sources, methods and degree of financing and the adoption, amendment or modification of such research, development, production, customer service or marketing methods and approaches as it sees fit, notwithstanding any employee's individual interest in or expectation regarding a particular business program or product.

6. Termination: The employment relationship established by this Agreement

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may be terminated by the Corporation or me at any time, without cause, on six months' prior written notice, or by the Corporation on payment of six months' severance pay in lieu of notice. The Corporation may terminate my employment for cause at any time without prior notice; provided, however, that the Corporation shall provide to me within thirty (30) days following my written request, such request to be made in writing within thirty (30) days of any such for-cause termination, a statement of the reason or reasons for such termination. Cause shall include, without limitation, failure to comply with rules, standards or procedures promulgated by the Corporation, neglect of or substandard performance of my assigned responsibilities, breach of the terms of this Agreement, falsification of Corporation records or documents, or any act of dishonesty or moral turpitude. Termination of the employment relationship terminates any obligation on the part of the Corporation or any of its Affiliates to make any further payments hereunder, with the exception of any accrued but unpaid payments and severance pay as described above, if any. Termination of employment by the Corporation shall be without prejudice to any other right or remedy to which the Corporation may be entitled, at law or in equity, under this Agreement or otherwise.

7. Agreement Not to Compete With the Corporation  
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(a) As long as I am employed by the Corporation, or by any Affiliate of the Corporation, I shall not participate, directly or indirectly, in any capacity, in any business or activity that is in competition with the business of the Corporation or of any Affiliate of the Corporation. This section does not limit interpretation of the scope of my obligations as set forth in Section 2, above.

(b) For the non-competition period specified in this paragraph, I shall not, without the express written authorization of the Corporation's Directors, on my own behalf, or as owner, manager, stockholder, consultant, director, officer or employee of any business entity, participate in any business that is competitive with any business that, as of the date of termination of my employment, the Corporation or any Affiliate of the Corporation: (i) is actively operating; (ii) is actively investigating or negotiating with for purposes of possible investment by the Corporation or an Affiliate of the Corporation; or (iii) has invested in. The Corporation shall within thirty (30) days following on my written request, such request to be made within thirty (30) days following termination of my employment, supply to me a written statement describing the businesses falling into categories (i), (ii) and (iii) of the preceding sentence. I agree that the said statement shall constitute Confidential Information of the Corporation for purposes of this Agreement. Notwithstanding the foregoing, the Corporation agrees that I may trade in the stock of any company which is listed on a national or international stock exchange, so long as I do not acquire more than one percent (1%) of the total outstanding stock of any such company. The non-competition period shall be two years in case of a termination for cause or in case I voluntarily resign my employment with the Corporation, and shall be one year in all other cases.

(c) For a period of two years following the termination of my employment with the Corporation or with any Affiliate of the Corporation, regardless of the circumstances of the termination, I shall not solicit, induce, attempt to hire, or hire any employee of the Corporation, or of any Affiliate of the Corporation, (or any other person who was employed by the Corporation or by any Affiliate of the Corporation within one year prior to the termination of my employment), or assist in such hiring by any other person or business entity or encourage any such employee to terminate his or her employment with the Corporation or with any Affiliate of the Corporation.

(d) For purposes of this Agreement, an "Affiliate" of the Corporation shall be deemed to be any person, persons or entity that is controlled by, under common control with, or that controls the Corporation. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), means the possession, directly or indirectly, of the power to direct or cause the direction of the actions, management or policies of a person, persons or entity, whether through the ownership of voting securities, by contract or otherwise.



8. Nondisclosure of Confidential Information:  
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While employed by the Corporation and thereafter, I shall not, other than pursuant to my employment by and for the benefit of the Corporation, directly or indirectly, use any Confidential Information, copy any Confidential Information, remove any Confidential Information from the Corporation's premises, or disclose any Confidential Information to anyone outside of the Corporation or to anyone within the Corporation who has not been authorized to receive such information. On request, I promptly shall deliver to the Corporation all Confidential Information, whether written or contained in any other medium or computer hardware outside the Corporation's premises, which is in my possession or under my control, and shall return all such things promptly upon termination of my employment with the Corporation.

The term "Confidential Information" as used throughout this Agreement shall mean all data or information (and any tangible evidence, record or representation thereof), whether prepared, conceived or developed by or for the Corporation or received by the Corporation from an outside source, which is not generally known outside of the Corporation and which is maintained in confidence by the Corporation or by any Affiliate of the Corporation. Without limiting the generality of the foregoing, Confidential Information shall include:

(a) identities of customers, customer lists and other customer information, sales information, the name of any customer, employee, prospective customer or consultant, any unpublished sales or marketing material, plan or survey, oral or written agreements with vendors and distributors, pricing methods, purchasing and sales contacts, and sales figures;

(b) any idea, improvement, invention, innovation, development, technical data, design, formula, device, pattern, concept, computer program, computer screen layout, model, diagram, schematic, equipment, tool, training or service manual, product specification and other technical information, plan for a new or revised product or service, compilation of information or work in process, and any and all revisions and improvements relating to any of the foregoing;

(c) any business plan or opportunity; information regarding marketing methods and plans, and plans for expansion, diversification, sales, financing and the like, any product or development plan or specification, any business proposal, financial record or information, or business record, and all other non-public records and information relating to the present or proposed business of the Corporation; and

(d) any materials that reflect the information described in sections 8(a) through 8(c); "materials" includes, without limitation, any documents, memoranda, notes, notebooks, reports, studies, programs, data, drawings, schematics, ideas, diskettes, files, slides, and any material generated by or for the Corporation, stored or contained in any medium.

Each item above is included, without limitation, as "Confidential Information" regardless of whether it is stored in any tangible medium, or the type of medium in which the information may be stored. Information is confidential independently of whether it was created individually or together with others, and independently of whether it was created during or outside of regular working hours, so long as the information was created for the benefit of the Corporation or by utilizing Corporation time, resources, materials or information.

Notwithstanding the foregoing, the term "Confidential Information" shall not apply to information which the Corporation has voluntarily disclosed to the public without restriction, or which is otherwise known to the public at large.

9. Rights in Documents and Work Product:  
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(a) I agree that all originals and all copies of all manuscripts, drawings, prints, manuals, diagrams, letters, notes, notebooks, reports, models, and all other materials containing, representing, evidencing, recording or constituting any Confidential Information (as defined above), however and whenever produced (whether by myself or others) (herein referred to as "Documents") shall be the property solely of the Corporation.

(b) I agree that all Work Product (as hereinafter defined) shall be the property solely of the Corporation. I agree that all Work Product shall constitute work made for hire under the copyright laws of the United States and I hereby assign, and to the extent that such assignment cannot be made at this time, agree to assign, to the Corporation any and all copyrights, patents, and other proprietary rights I may have in any Work Product, together with the right to file and/or own wholly without restrictions applications for United States and foreign patents, trademark registrations and copyright registrations and any patent, copyright or trademark registration issuing thereon. I agree to waive, and hereby waive, all moral rights or proprietary rights which I may have in or to any work Product and, to the extent that such rights may not be waived, agree not to assert such rights against the Corporation or its licensees, successors or assigns.

(c) The term "Work Product" as used throughout this Agreement shall mean any and all discoveries, inventions, ideas, concepts, research,

trademarks, service marks, good will, slogans, logos and other information, processes, products, techniques, methods and improvements, or parts thereof conceived, developed, or otherwise made by me alone or jointly with others, during the period of my employment with the Corporation or with any Affiliate of the Corporation or during the twelve month period next succeeding any for-cause termination of my employment with the Corporation or with any Affiliate of the Corporation, and in any way relating to the present or proposed products, programs or services of the Corporation or of any Affiliate of the Corporation, or to tasks assigned to me during the course of my employment, whether or not patentable or subject to copyright or trademark protection, whether or not reduced to tangible form or reduced to practice, whether or not made during my regular working hours, whether or not made on the Corporation's premises, whether or not Confidential Information and whether or not disclosed by me to the Corporation.

10. Obligation to Keep Records: I shall make and maintain adequate and -----

current written records of all Work Product and I shall disclose all Work Product promptly, fully and in writing to the Corporation's Directors, or to such person as the Corporation's Directors may designate, immediately upon development of the same and at any time upon request.

11. Obligation to Cooperate: I will, at any time during my employment, or -----

after it terminates, at the request of the Corporation, execute all documents and perform all lawful acts which the Corporation considers necessary or advisable to secure its rights hereunder and to carry out the intent of this Agreement. It is understood that my reasonable out-of-pocket expenses of my assistance incurred at the request of the Corporation will be reimbursed by the Corporation.

12. Conflicts of Interest: I understand that my position with the -----

Corporation may require me to have contact with persons outside the Corporation such as vendors, contractors, and government agencies and officials. I agree to adhere strictly to the Corporation's policy against giving gifts of any kind to, or receiving gifts of any kind from, such persons. I also agree to comply with any additional guidelines and policies that the Corporation may adopt from time to time.

13. Return of Property -----

(a) Immediately upon the cessation of my employment by the Corporation, or earlier upon request of the Corporation, I shall return any Documents, manuals, specifications, drawings, blueprints, reproductions, sketches, notes, reports, proposals, business plans, computer programs, or copies of them, other documents or materials, tools, equipment or other property belonging to the Corporation, to any Affiliate of the Corporation or to their customers.

(b) If requested to do so by the Corporation, I agree to sign a Termination Certificate in which I state whether I have complied with the requirements of this section and in which I acknowledge that certain restrictions imposed upon me by this Agreement and by my other agreements with the Corporation continue after termination of employment. I understand, however, that my rights and obligations under this Agreement will continue even if I do not sign a Termination Certificate.

14. Exceptions to This Agreement: I hereby certify that my performance of

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all the terms of this Agreement and as an employee of the Corporation does not and will not breach any agreement or other obligation owing to any other person or employer, including, without limitation, noncompetition and nonsolicitation obligations and obligations to keep in confidence proprietary information, knowledge or data acquired by me in confidence or in trust prior to my employment with the Corporation, and I will not disclose to the Corporation or induce the Corporation to use any confidential information or material belonging to any previous employer or others. I hereby certify that I have identified on Schedule B attached hereto any and all Confidential Information, Documents or Work Product which I claim as my own or otherwise intend to exclude from this Agreement. I understand and agree that once I have signed this Agreement I may not exclude any other Confidential Information, Document or Work Product from this Agreement without the written consent of the Chief Executive Officer of the Corporation.

15. General Provisions.

(a) Governing Law. This Agreement shall be governed by, and construed

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and enforced in accordance with, the substantive laws of the state of New Hampshire, without regard to its principles of conflicts of laws, and shall be deemed to be effective as of the first day of my employment by the Corporation.

(b) Counterparts. This Agreement may be executed in counterparts.

(c) Entire Agreement. This Agreement contains the entire and only

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agreement between me and the Corporation respecting the subject matter hereof, and no modification, renewal, extension, waiver or termination of this Agreement or any of the provisions herein contained shall be binding upon me or the Corporation unless made in writing and signed by an authorized officer of the Corporation. In the event of any inconsistency between this Agreement and any other contract between me and the Corporation, the provisions of this Agreement shall prevail. This Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder, except as otherwise expressly provided herein. I shall not assign any of my rights, or delegate any of my duties, hereunder without the prior written consent of the Chief Executive Officer of the Corporation.

(d) Waiver of Rights, Cumulative Rights. The waiver by either party

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of a breach of any provision of this Agreement shall not operate as a waiver of any subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy by such party preclude any other right or remedy. All rights and remedies hereunder are cumulative and are in addition to all other rights and remedies provided by law, agreement or otherwise.

(e) Survival. My obligations under this Agreement shall survive the

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termination of my employment with the Corporation regardless of the manner of or reasons, if any, for such termination, and regardless of whether such termination constitutes a breach of this Agreement or of any other agreement I have with the Corporation. My obligations under this Agreement shall be binding upon my heirs, executors and administrators, and the provisions of this Agreement shall inure to the benefit of and be binding on the successors and assigns of the Corporation.

(f) Severability. It the scope of any provision contained herein is

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too broad to permit enforcement of such provision to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and I hereby consent and agree that such scope may be judicially modified in any proceeding brought with respect to the enforcement of such provision. Without limiting the generality of the foregoing, in the event that any provision of this Agreement shall be determined to be unenforceable by reason of its extension for too great a period of time or over too large a geographic area or over too great a range of activities, it shall be interpreted to extend only over the maximum period of time, geographic area or range of activities as to which it may be enforceable. Except as otherwise provided in the preceding two sentences, if any provision of this Agreement shall be construed to be illegal or invalid, the legality or validity of any other provision hereof shall not be affected thereby, and any illegal or invalid provision of this Agreement shall be severable, and all other provisions shall remain in full force and effect.

(g) Remedies. I recognize that money damages alone would not

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adequately compensate the Corporation in the event of my breach of this Agreement, and I therefore agree that, in addition to all other remedies available to the Corporation at law or in equity, the Corporation shall be entitled to injunctive relief for the enforcement hereof. Failure by the Corporation to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a Waiver of such terms, covenants or conditions.

(h) Arbitration. Any dispute arising under or in connection with this

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Agreement that is not first resolved by the parties to such dispute or controversy shall, at the election of the Corporation, be determined and settled exclusively by an arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The arbitrator shall be selected pursuant to such Rules. The

place of arbitration shall be Boston, Massachusetts or Marlow, New Hampshire, at the election of the Corporation. An award rendered in such arbitration shall be final and binding on the parties and judgment may be entered on the arbitrator's award in any court having jurisdiction. The existence of the arbitration proceeding and the outcome thereof, including the amount of any award, shall be kept confidential and not publicly disclosed by any party to this Agreement except for such disclosure as may be required by law.

(i) References and Titles. A reference to a Section shall mean a

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Section in this Agreement unless otherwise expressly stated. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement which shall be considered as a whole.

(j) Effective Date. This Agreement shall be deemed to be effective as

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of the first day of my employment by the Corporation.

BEFORE SIGNING, I ACKNOWLEDGE THAT I HAVE READ THIS AGREEMENT, THAT I AGREE TO ALL OF ITS TERMS, AND THAT THIS AGREEMENT SUPERSEDES ANY PRIOR AGREEMENT ON THE SAME SUBJECT. I FURTHER ACKNOWLEDGE THAT I HAVE BEEN GIVEN A COPY OF THIS AGREEMENT, AND HAVE HAD AN OPPORTUNITY TO DISCUSS ANY QUESTIONS WITH THE CORPORATION'S PERSONNEL MANAGER AND LEGAL COUNSEL AND WITH INDEPENDENT COUNSEL OF MY CHOICE.

ACCEPTED:

EMPLOYEE:

PC CONNECTION, INC.

By: /s/ Patricia Gallup

/s/ Robert F. Wilkins

-----  
Robert F. Wilkins

Date: Dec. 23, 1995

Date: Dec. 23, 1995  
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Schedule A  
TO  
Employment Agreement  
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Name: Robert F. Wilkins

Title: Vice President, Merchandising and Product Management

Starting Salary: At the rate of \$140,000 per year

Additional Compensation: Eligible for a yearly incentive bonus in an amount up to \$60,000 depending on extent to which mutually agreed-upon performance goals are achieved.

Starting Date: December 23, 1995

Schedule B  
To  
Employment Agreement  
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Name: Robert F. Wilkins

Description of Excluded Confidential Information, Documents, and Work Product:

1. Simm Remover by Stratos.
2. Disk Page by Acco Corporation.
3. Pimm Code, Ct. programming & Houston Based.



[PC Connection stationery]

March 4, 1997

Mr. R. Wayne Roland  
VP of Fulfillment Operations  
22 Federation Drive  
Bedford, NH 03110

Dear Wayne:

First of all, I would like to thank you for your continuing efforts in leading our fulfillment operations, especially Sales and Distribution, and for helping the company experience record revenue growth. At this time I would also like to summarize our severance package for you so that this question need not further linger in your mind.

In the event the company terminates your employment for any reason other than for cause, you will receive six months severance at the salary level then applicable to you. Cause shall include, without limitation, failure to comply with rules, standards or procedures promulgated by the Company, neglect of or substandard performance of your assigned responsibilities, breach of the terms of this Agreement, falsification of Company records or documents, or any act of dishonesty or moral turpitude. If the company merely wishes to replace you for its own reasons, that is not termination for cause, and you will receive severance. This letter and severance package does not alter your status as an at-will employee under New Hampshire law. Also, just so there will be no confusion, you will not receive severance in the event you resign your position, or the company reorganizes or modifies your position or duties, unless the company agrees in writing at that time to extend some sort of benefit to you.

Wayne, thanks again for your tremendous continuing contributions to the Company's current and future success. Keep up the good work as we complete a great first quarter.

Yours truly,

/s/ Wayne Wilson

Wayne Wilson  
Senior Vice President & COO

Agreed:

/s/ R. Wayne Roland

-----  
R. Wayne Roland

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

AIRBORNE EXPRESS

April 30, 1990

Mr. David Hall  
Chief Executive Officer  
PC Connection  
6 Mill Street  
Marlow, New Hampshire 03456

Dear Dave;

This is to document what we talked about on Friday, April 27th.

- 1. Airborne will offer the following rate structure for shipments tendered to us in Wilmington, Ohio:

Letter - 5 lbs	\$ *****
6 - 20 lbs	\$ *****
21 - 99 lbs	\$ *****
	*****
100+ lbs	\$ *****

- 2. Airborne will guarantee the above rates for \*\* years unless one or both of the following occur:

- a. If the Consumer Price Index increases by more than \*\*% annually. Airborne may increase by no more than \*\*% of the increase. (A \*\*% increase in the CPI would allow us to increase by a maximum \*\*%).
- b. If the \*\*month average Producers Price Index for jet fuel was to increase by \*\*% or more over the average for the second quarter of 1990, Airborne would be allowed an increase of up to \*\*% of the increase. (A \*\*% increase would allow a maximum increase of \*\*%).

- 3. Airborne will agree to \*\*\*\*\* year renewals under the same conditions as above. Airborne may adjust rates at the beginning of

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

each \*\* year period without regard to the CPI or Producers Price Index for jet fuel. This increase will naturally be limited by market conditions, but in no case will it exceed an overall \*\*\*% (over the \*\* year life of the renewal period this is only \*\*% per year).

4. Airborne will reduce our C.O.D. fee to \*\*\*\*\*.
5. Rates in Paragraph 1 will apply both outbound and inbound Wilmington.
6. Multi-piece shipments will be rated as a single shipment if the aggregate weight of the pieces is a minimum of \*\*\* lbs.
7. Overnight express rates in Paragraph 1 apply to the 48 contiguous states and Puerto Rico. I will advise within a couple of weeks how much we will have to add for shipments to Alaska and Hawaii. Rates will not apply to Guam.
8. Airborne will offer a deferred rate of \$\*\*\*\*/cwt, minimum weight \*\*\*lbs, for 2-3 day service from Keene to Wilmington. This rate may also be made available for inbound shipments from major vendors based on specifics involved.
9. Airborne cannot offer any exceptions to our terms of liability.
10. This proposal is based on Airborne's expectations of a minimum of \*\*\*\*\* shipments per month. If actual volume is significantly less, Airborne will have the right to renegotiate rates and terms.

Dave, please give me a call if you'd like to discuss or if I missed any points. I truly believe a Wilmington location and our proposed rate structure will give you a crucial edge in your very competitive industry.

Sincerely,

/s/ Jerry Cameron

Gerald L. Cameron, Jr.  
Vice President  
Corporate Accounts and Pricing  
GLC/rz

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

AIRBORNE  
EXPRESS

June 25, 1990

Mr. David Hall  
Chief Executive Officer  
PC CONNECTION  
6 Mill Street  
Marlow, New Hampshire 03456

Dear Dave:

This is to confirm our conversation of Friday, June 22nd.

1. Add-ons for service to Alaska and Hawaii will be:

Letter	\$ *****
1-99 lbs	*****
100+ lbs	*****

2. Airborne will guarantee the rate structure presented in my April 30, 1990 letter for \*\*\*\*\* regardless of volume.

a. If volume after \*\*\* months is less than \*\*\*\*\* shipments/month, but more than \*\*\*\*\*, we will adjust rates as follows:

\*Letter - 20 lbs will increase to the level of your existing Keene rates;  
\*Over 20 lbs will increase by \*\*%.

b. If volume is less than \*\*\*\*\* shipments/month, but more than \*\*\*\*\*, we would increase rates by a further \*\*% over the \*\*\*\*\* shipment/month rate level.

c. To determine volume for rates from Wilmington, Airborne will combine shipment activity of Keene and Wilmington. (Keene will maintain its present rate structure).

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

3. Airborne will offer the following alternative to the \*\* year guarantee  
-----  
exceptions in paragraph 2 of my April 30th letter:
- a. If the Consumer Price Index increases by \*\*% or more annually, Airborne may increase by no more than \*\*% of the increase. (A \*\*% increase in the CPI would allow us to increase by \*\*%). If CPI increases by less than \*\*%, there would be no increase under this provision.
  - b. If the \*\* month average Producers Price Index for jet fuel was to increase by \*\*% or more over the average for the second quarter of 1990, Airborne would be allowed an increase of up to \*\*% of the increase. (A \*\*% increase would allow a maximum increase of \*\*%). If the jet fuel index increases by less than \*\*%, there would be no increase under this provision.
4. Any significant improvement in package densities will be taken into consideration in future rate negotiations.

Dave, I believe that covers all the points we discussed. I look forward to your decision to locate in Wilmington. Airborne takes pride in the part we play of maintaining PC Connection's position of leadership in your industry.

Sincerely,

/s/ Gerald L. Cameron, Jr.

Gerald L. Cameron, Jr.  
Vice President  
Corporate Accounts and Pricing

GLC/rz

cc/Ken McCumber

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

AIRBORNE  
EXPRESS

June 29, 1990

Mr. David Hall  
Chief Executive Officer  
P.C. Connection  
6 Mill Street  
Marlow, New Hampshire 03456

Dear David,

This letter responds to your request for a written recap of issues agreed to by Airborne. Please contact me to any items that may require additional explanation.

DROP OFF CUT TIMES

We will accept up to \*\*\* shipments per night by \*\*\*\*\* Eastern time, and up to \*\*\* Shipments per night by \*\*\*\*\* Eastern time, the latter, with drops at \*\*\*\*\*. When shipment volume reaches an average of \*\*\*\* per night, we will expand the volume allowed by \*\*\*\*\* to \*\*% of your total, and by \*\*\*\*\* to \*\*% of your total. However, the total number of shipments that can be dropped using these percentages is capped at a maximum of \*\*\* shipments at \*\*\* and \*\*\*shipments by \*\*\*\*. Expansion beyond the maximum must be agreed to by our airline subsidiary chairman.

It is expected that shipments will be dropped at our sort building as early as possible and that each will bear an address label and sort code. The more automated we can make the transfer of shipping information, the better, as we have no margin for errors or omissions.

INTERIM WAREHOUSE SPACE

To maintain confidentiality, we can secure on your behalf, up to 20,000 square feet of warehouse space on a temporary basis. We will do so at the best rate possible, passing on to you the same rate we pay the primary tenant. We would need a no-break lease with you for the length of time you commit to take the space and an escrow deposit of some amount may be required.

Prior to signing a lease with us, the primary lease holder wants to know the approximate length of time we would sublet from them on your behalf. They are concerned that their business needs may require expansion into the area you occupy if the length of the lease is much longer than six months.

If your intentions are to pursue permanent rental space from Miller Valentine/Airborne in the building scheduled for completion in January 1991, discussions leading to a lease agreement should proceed immediately as demand for space in this building is running high.

#### LIST RENTAL

We do not rent to, or provide to anyone, customer lists or lists of shipment recipients. Should we do so in the future ( we have no plans to do so), your customer's names would be eliminated from the lists.

#### AIRPORT USAGE FOR YOUR COMPANY TRANSPORTATION

There is no problem with your use of our runway for daytime landings and takeoffs. However, no arrivals or departures are allowed between 12:00 midnight and 7:00 AM. We will waive landing fees.

#### CONCLUSION

Please call me to discuss any items requiring clarification. We are most pleased that we have reached tentative agreement with you to locate in Wilmington and believe that both our companies will achieve significant benefits from this decision.

Very truly yours,

/s/Ken McCumber

Ken McCumber  
Vice President  
Corporate Marketing

KM:rjb

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INGRAM  
MICRO

#### RESALE AGREEMENT

This Agreement ("Agreement") is by and between PC Connection ("PC Connection"), with its principal place of business at 528 Route 13 South, Milford, New Hampshire 03055 and Ingram Micro Inc. ("Ingram") excluding its subsidiaries, with its principal place of business at 1600 E. St. Andrew Place, Santa Ana, California 92705. This Agreement will include PC Connection's domestic locations only.

#### 1. Purpose

The purpose of this Agreement is to provide the terms and conditions for the purchase and resale by PC Connection and the sale by Ingram to PC Connection of various computer products including both hardware and software ("Product").

#### 2. Terms of Sale

All Product sales will be subject to Ingram's then current standard Sales Terms and Conditions published in its Comprehensive Catalog ("Catalog") at the time of purchase. Should Ingram's Catalog provisions conflict with this Agreement, the provisions of this Agreement will prevail. If authorization for resale is required by the publisher or manufacturer of any Product, then Ingram will not be obligated to sell such Product to PC Connection unless Ingram has received such required authorization.

#### 3. Ordering

A. PC Connection will compile, update, and provide Ingram with Product order information. The Product order information will include the: (i) Product SKU number(s), (ii) unit quantity, (iii) PC Connection price, (iv) the correct shipping address, and (v) the appropriate PC Connection account number (the account number will correspond with PC Connection's choice of credit line options provided in Section 7 of this Agreement). PC Connection personnel will identify, for each Product order, the ship-to destination as either PC Connection, PC Connection's customer, or to some other specified third party. Ingram will, subject to Product availability, use best efforts to fill and ship all Product orders placed by PC Connection within one (1) business day of order receipt.



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B. Ingram will accept orders over telephone, via the Computer Assisted Purchasing System("CAPS") or Electronic Data Interchange ("EDI"), only from those who identify themselves as PC Connection personnel and provide the Ingram customer number prior to placing the order. Ingram will have no obligation to confirm the validity of any order placed or the authority of the person placing an order in this manner. EDI transactions will be subject to the guidelines set forth in Exhibit B.

C. PC Connection may request, as a special order, Products not included in Ingram's inventory but carried by one of Ingram's vendors. Upon receipt of a request for special order Product ("Special Product"), Ingram will endeavor to include such Product in its inventory. Ingram will determine, at its sole discretion, the inventory stocking levels of Special Product and Whenever possible, Ingram will add additional SKU's to its existing vendor lines. Ingram's price to PC Connection for such Special Product will be in accordance with Section 5.B, unless otherwise specified in this Agreement.

D. In the event Ingram does not carry a vendor line that PC Connection requires, Ingram will make its best efforts to add the vendor to its Product offering. Ingram reserves the right to carry inventory only on those Products or vendor lines where PC Connection is able to provide accurate Product forecasting and has acquired the necessary vendor authorization for resale from the manufacturer. The price for any additional vendor lines will be calculated according to Section 5.B.

E. Ingram will provide an on-site Ingram Purchasing Support Representative at PC Connection's purchasing facility located in New Hampshire, for the purpose of assisting PC Connection with account management including, but not limited to, answering inquiries regarding price protection, Product allocation and other agreed upon inventory management programs.

F. To enable PC Connection to more efficiently allocate Product from Ingram, Ingram and PC Connection will work together to define and develop a Product ordering program, known as the "Scheduled Ship Program". Upon implementation, the Scheduled Ship Program will allow PC Connection to schedule orders with Ingram up to \*\*\*\*\* days in advance of Product shipment and will enable Ingram to allocate Product for PC Connection \*\*\*\*\* days before the expected ship date. To enable Ingram to meet its Scheduled Ship Program obligations, PC Connection will provide Ingram with accurate and timely inventory forecasts of PC Connection's high velocity Products on a weekly basis.

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G. Ingram and PC Connection agree to work together to further improve fill-rates and inventory turns, and will implement mutually beneficial operating efficiencies whenever possible.

4. Electronic Data Interchange ("EDI")

A. Ingram will maintain a telecommunication line between PC Connection and Ingram's distribution center at Ingram's expense. In addition, Ingram will assist PC Connection in establishing an EDI link between PC Connection's New Hampshire location and Ingram's Williamsville, New York location.

B. PC Connection will be eligible for EDI development funds ("EDI Funds") up to \*\*\*\*\* upon Ingram's approval of an EDI implementation plan to be developed by both parties. Ingram will provide EDI Funds for the purpose of assisting PC Connection with the development of EDI between Ingram and PC Connection.

C. PC Connection agrees to provide Ingram with accurate and verifiable documentation of its EDI development costs on a monthly basis. Ingram will reimburse PC Connection by check within the second month following the end of Ingram's fiscal quarter and upon Ingram's verification of PC Connection's reasonable and allowable EDI development costs.

D. Upon EDI implementation, both parties agree to transact business via the following EDI transaction sets:

832 Price Catalog File (receive only)  
846 Inventory Inquiry Advice (receive only)  
850 Purchase Order (active upon implementation of purchasing system)  
855 Purchase Order Acceptance (active upon implementation of purchasing system)  
856 Shipping Advice (receive only)

E. The procedures governing EDI orders placed and accepted are set forth in Exhibit B.

5. Pricing

A. All Product prices will be as shown in Ingram's on-line ordering system as of the date of order. This pricing is offered in expectation that PC Connection's total net sales during each one year term of this Agreement will meet or exceed \*\*\*\*\* and, upon execution of this Agreement, Ingram will be designated the Primary

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Source ("Primary Source") for PC Connection's distribution Products. As Primary Source, Ingram will be the first contact and, subject to Product availability, source for all of PC Connection's distribution needs. Ingram and PC Connection will jointly review the volume commitment level at the end of the first year.

B. Ingram's price for PC Connection's Product purchases, will be Ingram's replacement cost on the date of purchase, divided by the factor applicable to the Product type. The Product type and factors will be as follows:

PRODUCT TYPE	FACTOR
Software	****
Hardware	****
Accessory Product	****
Technical Product	****

C. Ingram's price for specialty Product purchases, including but not limited to memory, license, books, some technical education and exclusives may not be included in the above pricing.

D. In addition to the pricing above, Ingram will provide PC Connection with vendor level pricing on each of the Product lines listed in Exhibit A. All other vendor lines for which PC Connection is authorized will be subject to the pricing referred to in Section 5.B and C of this Agreement. As manufacturer costs change, Ingram cost may be adjusted to reflect such change.

E. PC Connection may seek pricing from sources other than Ingram in unique or large bidding situations provided: (a) PC Connection gives Ingram the opportunity to bid the final pricing obtained through such solicitation; and (b) the business opportunity will be granted Ingram if Ingram meets such pricing requirements.

F. Ingram will notify PC Connection in writing of any increase to Product prices which effect PC Connection's vendor level pricing shown Exhibit A. Increases to vendor level pricing may occur due to changes in the amount of Product discount a vendor provides Ingram.

G. In the event Ingram is notified by a manufacturer of a permanent price reduction on the manufacturer's Product, and PC Connection has a quantity of that Product on-hand and purchased from Ingram as of that date, Ingram will provide pass-through price protection upon request by PC Connection if the manufacturer so

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agrees. Ingram and PC Connection will jointly review PC Connection's top Products in inventory each quarter, and in such cases where Ingram Does not have an established price protection relationship with said Product manufacturers, Ingram and PC Connection will work to develop such a relationship. Except for the manufacturers listed in Exhibit D, Ingram will honor pass-through price protection requests whenever possible.

H. To enable Ingram to meet its price protection obligations, PC Connection will follow the procedures for requesting price protection as shown in Exhibit E and will deliver accurate and current on-hand inventory reports to Ingram within \*\*\*\*\* business days after Ingram notifies PC Connection of a permanent price decrease. Upon receipt of PC Connection's request and confirmation of the eligibility of the Products listed, Ingram will credit PC Connection's account within \*\*\*\*\* business days. Unless notified by Ingram within \*\*\*\*\* days after Ingram receives the request for price protection, PC Connection will assume that price protection is granted and a credit memo will be issued by Ingram.

## 6. Shipping

A. PC Connection will pay the ground freight charges on any Product orders shipped from Ingram's Chicago, Harrisburg and Memphis distribution centers.

B. If Products requested by PC Connection are unavailable in the local Ingram warehouse at the time of order but available in another Ingram warehouse, then Ingram will ship any lightweight Products (defined as single-box items which are less than twenty-five (25) pounds) from Ingram's other warehouse to PC Connection via second-day air freight carrier of Ingram's choice and at Ingram's expense. Those Products designated as heavyweight Products (defined as single-box items which meet or exceed twenty-five (25) pounds) shipped from any other Ingram warehouse to PC Connection will be shipped through a ground freight carrier of Ingram's choice with the freight charges paid by Ingram.

C. If PC Connection requests Product shipment by expedited carrier from any Ingram warehouse for reasons other than listed in Section 6.B, the expedited freight charges will be paid by PC Connection.

D. The freight and shipping terms offered to PC Connection in Section 6.B will be reviewed by both parties ninety (90) days after the signing of this Agreement. Should either party find the freight terms unsatisfactory, Ingram and PC Connection will work together to determine a mutually acceptable alternative.

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E. Ingram will ship all of PC Connection's Product orders F.O.B. origin whether shipping directly to the address provided by PC Connection or to a PC Connection warehouse. However, Ingram shall bear the risk of loss for all shipments until the Product(s) reach the address listed on PC Connection's purchase order.

#### 7. Payment Terms

At the time of manual or electronic order, PC Connection must designate an account number which corresponds to one of the two methods of payment offered by Ingram to PC Connection, as shown below. PC Connection understands that its choice of account number for an order will determine the payment method and credit line availability for that order.

A. Net \*\*\* Program: Ingram will provide PC Connection with a credit line of

\*\*\*\*\* for Product purchases, which is subject to change according to the results of a periodic review. Ingram will conduct a periodic review of the adequacy of PC Connection's credit lines to ensure satisfaction to both parties. All invoices will be due and payable \*\*\*\*\*days from the invoice date.

B. Early Pay Program: In addition to Section 7.A, Ingram will provide PC Connection with a credit line of \*\*\*\*\* million for Product purchases, which is subject to change according to the results of a review one (1) year after the signing of this Agreement. PC Connection will receive a \*\*\*\*\* Early Pay Discount on all Product invoices based on the following: invoices accumulated over \*\*\*\*\* consecutive business days must be paid to Ingram so the average term of payment on all such invoices is no more than \*\*\*\*\* business days. Ingram agrees to invoice PC Connection promptly to permit PC Connection to avail itself of the Early Pay discount.

C. PC Connection's average monthly Days Sales Outstanding ("DSO") on their Net \*\*\* account must be equal to or less than \*\*\*\*\* days and will be calculated as shown in Exhibit F.

D. When calculating PC Connection's monthly DSO, Ingram may reduce PC Connection's accounts receivables balance by a total of \*\*\*\*\* to compensate for misshipments which may have occurred during that month. Misshipments will be defined as veritably lost or short shipments, order entry errors, or wrong Product shipped. PC Connection agrees to report each incident of misshipment to Ingram's Customer Service Department within \*\*\*\*\* business days of: (i) receipt of the misshipment, or, (ii) the estimated time of shipment arrival ("Shipment ETA") requested by PC Connection and provided by Ingram at the time of order.

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E. PC Connection will verify Product received against invoices within \*\*\*\*\* business days from invoice date. Any discrepancies found will be deducted from the invoice (DFI) and a debit memo created. PC Connection will not DFI until \*\*\*\*\* days after Product leaves their dock for return to Ingram. Such DFI's will be limited to short shipments, price variances, defectives and other authorized returns. All debit memos submitted to Ingram must contain information, including but not limited to quantity variance, SKU number, quantity ordered, invoice number, Product price quoted and Product price invoiced.

#### 8. Returns

A. Subject to Ingram's approval prior to returning Products, PC Connection may return any Products purchased from Ingram within \*\*\*\*\* days after invoice date for credit at the actual purchase price less any price protection, provided that the total purchase price of all such stock balance returns does not exceed \*\*\*\*\* of all purchases during the preceding fiscal quarter (excludes memory, mass storage Products and certain manufacturers specified in Exhibits C and D). Stock balance returns which exceed \*\*\*\*\* may be subject to a \*\*\*\*\* excess handling fee. All Products returned must be undamaged, in the manufacturer's original packaging, in resalable condition and unused. Ingram reserves the right to not accept Products if the manufacturer has placed restrictions upon the return of Products as stated in Exhibits C and D. Ingram also reserves the right to not accept Products which are no longer in production or which are produced or published by a manufacturer which is insolvent or which has declared bankruptcy. PC Connection will pay the freight charges and bear all risk of loss when returning Products to Ingram.

B. Within \*\*\*\*\* days after the date of purchase from Ingram, PC Connection may return, for its choice of either replacement or credit, those Products found to be defective, provided PC Connection obtains Ingram's RMA approval via telephone or fax prior to return. Ingram reserves the right to require PC Connection to return defective Products directly to the Products' manufacturer for replacement according to the manufacturer's defective Products return policy as stated in Exhibit C. Ingram will use its best efforts to respond to PC Connection's direct RMA requests within \*\*\*\*\* business day dependent upon manufacturer's ability to respond in a timely manner.

C. In the event Ingram ships Product defined as misshipment in Section 7.D to PC Connection, PC Connection will return the Product to Ingram via ground freight F.O.B. destination and Ingram will credit PC Connection's account for the freight costs upon receipt and verification of the returned Products. PC Connection agrees to

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adhere to the returns request procedure outlined in Ingram's Catalog and Section 8 of this Agreement and will make requests for return freight credit within \*\*\*\*\* days of invoice.

D. The stock balance terms offered to PC Connection will be reviewed by both parties after ninety (90) days of the signing of this Agreement. Should either party find this returns process unsatisfactory, Ingram and PC Connection will work together to determine a mutually acceptable alternative.

E. Ingram and PC Connection will work together to monitor PC Connection's returns rate and will make adjustments as needed to the satisfaction of both parties. Ingram will provide PC Connection with a monthly report of PC Connection's returns rate performance.

## 9. Marketing

A. Ingram will provide PC Connection one (1) Marketing Opportunity Forum during the term of this Agreement. PC Connection will have the ability to present, upon Ingram's approval and at Ingram's facility, marketing opportunities to vendors they wish to pursue.

B. Ingram will provide marketing services and pass-through co-op marketing development funds ("MDF") on a case-by-case basis dependent upon each vendors' offering. In addition, Ingram will work with PC Connection and its direct vendors to provide MDF for Products purchased as a second source through distribution.

C. For purposes of Product evaluation and upon request, Ingram will use its best efforts to provide PC Connection free copies of Not For Resale ("NFIU") software and hardware subject to availability and restrictions by the manufacturer for such purpose. Whenever possible, Ingram will meet the quantities of NFR Product requested by PC Connection. This offer will only apply to those NFR Products which Ingram receives free and without charge from the manufacturer. PC Connection will pay for any freight costs incurred for the shipment of NFR Products from Ingram.

D. Ingram will provide PC Connection with a dedicated marketing manager to lend marketing support, assist PC Connection with customized marketing opportunities, and provide notification to PC Connection of marketing and co-op funds made available by Ingram's vendors.

E. Ingram will provide PC Connection with advance notice of emerging technologies and new Product launches whenever possible and will assist PC Connection with new Product forecasting on an as-needed basis.

#### 10. Technical Services And Support

Ingram will provide, to authorized PC Connection personnel only, free technical support via its telephone support lines for the Products listed in Ingram's Catalog. Under no circumstance will Ingram be obligated to provide any technical support to PC Connection's customers.

#### 11. Reporting

A. PC Connection agrees to provide Ingram with accurate and timely Product inventor forecasts on a weekly basis to enable both parties to maximize their collective operational and forecasting efficiencies. This reporting will be used when PC Connection requests that Ingram add a vendor line as outlined in Section 3.D and for the Scheduled Ship Program as described in Section 3.F.

B. In addition to the EDI reporting provided in Section 4.D, Ingram will work with PC Connection to furnish the customized electronic or printed reports as listed below:

Daily:	Backorder Report/File Price Change File
Weekly:	New Products Summary Promo Pak
Monthly:	Top 50 Vendors Report Sales By Vendor By SKU - MTD & YTD Marketing Development Funds Usage Report

C. Ingram and PC Connection will maintain an electronic Parts Cross-Reference File to be transmitted once a week from PC Connection to Ingram for the purpose of ensuring data integrity with Product ordering, P.O. placement and order-related processes between both parties.

D. Ingram will maintain a daily electronic bulletin board Price Change File to ensure pricing data accuracy between Ingram and PC Connection. Ingram may periodically update the file format to maintain transmission and quality standards.



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#### 12. TERM AND TERMINATION

This Agreement will commence on the date of the last signature set forth below and will continue for two (2) years. Either party may terminate this Agreement without cause by giving \*\*\*\*\* days advance written notice to the other party. Ingram may terminate this Agreement immediately for cause upon written notice, which notice will include a ten (10) day opportunity to cure.

#### 13. CONFIDENTIALITY

This Agreement is and contains confidential information, and as such will not be disclosed to any third party without the express written consent of both parties. The parties agree to disclose the terms and conditions of this Agreement only to their respective personnel with a need to know.

#### 14. NOTICES

All notices and other communications relating to this Agreement or its terms will be in writing and mailed via first class United States Postal Service, certified or registered with return receipt requested or via facsimile. All notices so mailed will be deemed received two (2) days after postmark date and facsimiles will be deemed received upon notification of successful transmission.

#### 15. ENTIRE AGREEMENT

This Agreement (including any Exhibits and Addenda) constitutes the entire Agreement between the parties regarding the resale of Product, and will cancel, terminate, and supersede any and all previous agreements, proposals, representations, or statements, whether oral or written. The terms of this Agreement will supersede the terms of any invoice or purchase order issued by either party. Any modifications of this Agreement must be in writing and signed by an authorized representative of each party.

#### 16. GOVERNING LAW

This Agreement will be deemed made in the State of California and will be governed by and construed in accordance with California laws, excluding its conflicts or choice of law rule or principles which might refer to the law of another jurisdiction.

17. Headings

This Agreement may be executed in any number of original counterparts, each of which when executed and delivered will be deemed to be an original and all of which taken together will constitute but one and the same instrument. Headings in this Agreement are included for convenience of reference only and will not constitute a part of this Agreement for any other purpose.

18. Indemnity

Ingram shall indemnify and hold PC Connection harmless from and against any actions, claims, and damages resulting from product liability, breach of warranty, or infringement of an intellectual property right, but only to the extent that Ingram has been granted rights of indemnity from the manufacturer or publisher whose product is the subject of the underlying action, the intent of this provision being to pass through any liability to the manufacturer or publisher.

This Agreement will be effective as of October 30, 1997.

"PC Connection"

"Ingram"

By: /s/Robert F. Wilkins  
(Officer of the Company)

By: /s/ Debbie Tibey  
(Officer of the Company)

Name: Robert F. Wilkins  
(Please print or type)

Name: Debbie Tibey  
(Please print or type)

Title: Vice President, Product Mgmt.

Title: Vice President of NMA



EXHIBIT B

ELECTRONIC DATA INTERCHANGE

A. Documents/Standards

1. Each party may electronically transmit to or receive from the other party any of the transaction sets listed in the Appendix 1 attached hereto and incorporated by reference and transaction sets which the parties by written agreement add to Appendix 1 (collectively "Documents"). Any transmission of data which is not a Document shall have no force or effect between the parties. All Documents shall be transmitted in accordance with the standards set forth in Appendix 1.
2. Third Party Service Providers
  - a. Documents will be transmitted electronically to each party either, as specified in Appendix 1 directly or through any third party service provider ("Provider") with which either party may contract. Either party may modify its election to use, not use or change a Provider upon 30 days prior written notice.
  - b. Each party shall be responsible for the cost of any Provider with which it contracts, unless otherwise set forth in the Appendix 1.
  - c. Each party shall be liable for the acts or omissions of its Provider while transmitting, receiving, storing, or handling Documents, or performing related activities for such party; provided, that if both the parties use the same Provider to effect the transmission and receipt of a Document, the originating party shall be liable for the acts or omissions of such Provider as to such Document.

3. System Operations

Each party, at its own expense, shall provide and maintain the equipment, software, services and testing necessary to effectively and reliably transmit and receive Documents.

4. Security Procedures

Each party shall properly use those security procedures, including those specified in Appendix 1, if any which are reasonably sufficient to ensure that all transmissions of Documents are authorized and to protect its business records and data from improper access.

5. Signatures

Each party shall adopt as its signature an electronic identification consisting of symbol(s) or code(s) which are to be affixed to or contained in each Document transmitted by such party ("Signatures"). Each party agrees that any Signature of such party affixed to or contained in any transmitted document shall be sufficient to verify such party originated such Document. Such electronic signature can consist of our DUNS number or any other mutually agreed upon ID. Neither party shall disclose to any unauthorized person the Signatures of the other party.

B. Transmissions

1. Proper Receipt

Documents shall not be deemed to have been properly received, and no Document shall give rise to any obligation, until accessible to the receiving party at such party's Receipt Computer designated in Appendix 1.

2. Verification

Upon proper receipt of any Document, the receiving party shall promptly and properly transmit a functional acknowledgment in return, unless otherwise specified in Appendix 1. A functional acknowledgment shall constitute conclusive evidence a Document has been properly received.

3. Acceptance

If acceptance of a Document is required by Appendix 1, any such Document which has been properly received shall not give rise to any obligation unless and until the party initially transmitting such Document has properly received in return an Acceptance Document (as specified in Appendix 1).

4. Garbled Transmissions

If any transmitted Document is received in an unintelligible or garbled form, the receiving party shall promptly notify the originating party (if identifiable from the received Document) via telephone. In the absence of such a notice, the originating party's records of the contents of such Document shall control.

C. Transaction Terms

1. Transactions (and any related communication) governed by this Agreement also shall be subject to the terms and conditions included on each party's standard printed applicable forms attached to or identified in Appendix 1 as the same may be amended from time to time by either party upon written notice to the other. The parties acknowledge that the terms and conditions set forth on such forms may be inconsistent, or in conflict, but agree that any conflict or dispute that arises between the parties in connection with any such Transaction will be resolved as if such Transaction had been effected through the use of such forms. The terms of this Agreement however shall prevail in the event of any conflict with any other terms and conditions applicable to any Transaction.
2. Validity/Enforceability
  - a. This Agreement has been executed by the parties to evidence their mutual intent to create binding purchase and sale obligations pursuant to the electronic transmission and receipt of Documents specifying certain of the applicable terms.
  - b. Any Document properly transmitted pursuant to this Agreement shall be considered, in connection with any Transaction, any other written agreement described in Appendix 1, or this Agreement, to be a "writing" or "writing"; and any such Document when containing, or to which there is affixed, a Signature ("Signed Documents") shall be deemed for all purposes (a) to have been "signed" and (b) to constitute an "original" when printed from electronic files or records established and maintained in the normal course of business.
  - c. The conduct of the parties pursuant to this Agreement, including the use of Signed Documents properly transmitted pursuant to this Agreement, shall, for all legal purposes, evidence a course of dealing and a course of performance accepted by the parties in

furtherance of this Agreement, any Transaction and any other written agreement described in Appendix 1.

- d. Without waiving other defenses either party may have, the parties agree not to contest the validity or enforceability of Signed Documents under the provisions of any applicable law relating to requirements for certain agreements to be in writing or signed by the party to be bound thereby in order to be valid or enforceable. Signed Documents, if introduced as evidence on paper in any judicial, arbitration, mediation or administrative proceedings, will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither party shall contest the admissibility of copies of Signed Documents under either the business records exception to the hearsay rule or the best evidence rule on the basis that the Signed Documents were not originated or maintained in documentary form.

APPENDIX 1

STANDARDS

ANSI ASX X.12 (American National Standards Institute, Accredited Standards Committee X.12)

Selected Standards include, as applicable, all data dictionaries, segment dictionaries and transmission controls referenced in those standards but include only the Transaction Sets listed in the DOCUMENTS Section of this Appendix

below.

DOCUMENTS

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ACCEPTANCE DOCUMENT

Transaction Set #	Document Name or Description	Verification Required (Y/N)	Acceptance Required (Y/N)	Transaction Set #	Document Name or Description
850	Purchase Order	Yes	Yes	855	P/O Acceptance
997	Functional Acknowledgement	No	No	N/A	N/A
855	Purchase Order Acceptance	Yes	No	N/A	N/A
856	Shipping Advice	Yes	No	N/A	N/A
810	Invoice	Yes	No	N/A	N/A
820	Payment	Yes	No	N/A	N/A
832	Price/Sales Catalog	Yes	No	N/A	N/A
852	Product Activity Data	Yes	No	N/A	N/A



EXHIBIT C

MANUFACTURERS' POLICIES AND WARRANTIES

Certain manufacturers require prior approval for defective returns and may also have policy stipulations that the customer must follow prior to returning defective product. Some manufacturers may also require that the customer obtain a vendor's Return Merchandise Authorization from them prior to returning the defective product. The manufacturers and their policies are listed below for your convenience.

REFER DIRECT TO VENDORS

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EXHIBIT C, Continued

REFER DIRECT TO VENDORS

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*****	*****	**	*****	****



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

OTHER VENDOR POLICIES

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

EXHIBIT C, Continued

OTHER VENDOR POLICIES

MASS STORAGE PRODUCTS  
\*\*\*\*\*  
\*\*\*\*\*

SAGGED  
\*\*\*\*\*  
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\*\*\*\*\*  
\*\*\*\*\*

MEMORY PRODUCT  
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\*\*\*\*\*

\*\*\*\*\*

SOFTWARE LICENSES  
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CONFIGURATION PRODUCTS  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*

OEM DIVISION  
\*\*\*\*\*  
\*\*\*\*\*

MICROSOFT  
\*\*\*\*\*  
\*\*\*\*\*

Vendor information is subject to change without notice.

EXHIBIT C-1

MANUFACTURER REFER DIRECT  
POLICIES AND WARRANTIES

\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*;

Vendor Number(s)	Vendor Name	Phone Number	Additional Notes
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****

Notes:  
This list is subject to change without notice.



EXHIBIT E

INGRAM MICRO PRICE PROTECTION REQUEST  
INVENTORY CERTIFICATION FORM

Return this form to Ingram Micro Customer Service, 1600 E. St. Andrew Place,  
Santa Ana, CA 92799-5125 or fax documentation to (714) 566-7720 for Branches 10  
and 50 or (716) 635-6446 for Branches 20, 30, 40, 60, and 70.

----- Dealer Name	----- Customer Number
----- Address	----- Store Number
----- City, State and Zip Code	----- Contact Name
----- Telephone Number	----- Fax Number

-----  
VENDOR NAME:  
-----

Quantity	Ingram Micro Part Number	Product Description	Credit Amount (Ingram Micro Use)
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----

(Please attach additional Ingram Micro Part Number). One vender per form please.

DEALER CERTIFICATION

I certify that the above inventory was on-hand and/or in transit as of the close  
of business on the date below. I will retain records for six (6) months to  
substantiate these inventory levels and will allow the manufacturer access to my  
premises to inspect current physical inventory and records at the manufacturer's  
discretion.

----- Authorized Signature (Required)	----- Title
----- Print Name	----- Date



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

Note: This certification must be completed and submitted to Ingram Micro Customer Service within \*\*\*\*\* business days of manufacturer's price decrease.

-----  
Ingram Micro Use Only:

----- Customer Service Representative's Name	----- Approvals
----- Reference Number	----- Amount
----- Date	-----

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

EXHIBIT F

PC CONNECTION  
DAYS SALES OUT ("DSO") CALCULATION

Ingram will calculate PC Connection's DSO, as follows:

PC Connection's \*\*\*\*\*  
\*\*\*\*\* (equals the \*\*\*\*\* balance)  
\*\*\*\*\* (equals the\*\*\*\*\* sales)  
\*\*\*\*\* number of days in the prior month (equals the number of  
days remaining)  
\*\*\*\*\* the number of days in the current month  
Equals the DSO expressed in days.

Example:

***** bal	***** Sales						
***** _	*****						
-----							
***** Sales	=	Remaining *****	# days in prior month	=	days remaining	days in curr. month	= DSO *****
*****		*****	** 28.		** 3.44	** 28.	

PC Connection's DSO accounts receivable number may be adjusted as compensation for verifiable misshipments, as set forth in Section 5.D of this Agreement.

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

INGRAM  
MICRO

AMENDMENT #1  
Resale Agreement

August 29, 1997  
Confidential

INGRAM MICRO INC. ("Ingram") and PC CONNECTION ("PC Connection") hereby agree to amend their mutual Resale Agreement, including any subsequent Amendments, as follows:

1. Add the following to Section 8:

8.F. During the term of this Agreement, PC Connection may request a Product return for buyback at PC Connection's invoice price in an amount not to exceed \$\*\*\*\*\* after fees have been applied. All Product must be returned in resalable condition and will be subject to Ingram's review and approval as well as the terms and conditions of Ingram's Buyback Agreement when signed. PC Connection may split this buyback into various increments so long as the total Product is returned prior to the expiration of this Agreement.

Agreed to as of this 30 day of October 1997

"PC Connection"

"Ingram"

By: /s/Robert F. Wilkins  
(Officer of the Company)

By: /s/ Debbie Tibey  
(Officer of the Company)

Name: Robert F. Wilkins  
(Please print or type)

Name: Debbie Tibey  
(Please print or type)

Title: Vice President, Product Mgmt.

Title: Vice President of MMA

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of PC Connection, Inc. on Form S-1 of our report dated November 4, 1997 (November 21, 1997, as to Note 12), appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

Deloitte & Touche LLP

Boston, Massachusetts  
November 25, 1997



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM \*THE COMPANY'S AUDITED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

\*Identify the financial statement(s) to be referenced in the legend:

1,000

YEAR	DEC-31-1996	9-MOS	DEC-31-1997	
	JAN-01-1996		JAN-01-1997	
	DEC-31-1996		SEP-30-1997	
		162		723
		0		0
	25,314		32,115	
	4,271		7,574	
	44,419		60,745	
	67,567		87,246	
		23,518		25,545
	15,847		17,242	
	75,238		95,549	
	52,945		70,769	
		4,250		3,500
	0		0	
		0		0
		90		90
		17,953		21,190
75,238		95,549		
		333,322		383,460
	333,322		383,460	
		282,117		330,008
	282,117		330,008	
	(70)		43	
	1,297		1,577	
	1,269		933	
	5,008		2,881	
		252		429
	4,756		2,452	
		0		0
		0		0
		0		0
		0		0
		4,756		2,452
		0		0
		0		0