



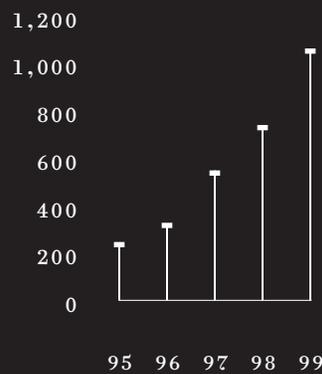
PC Connection, Inc.

1999

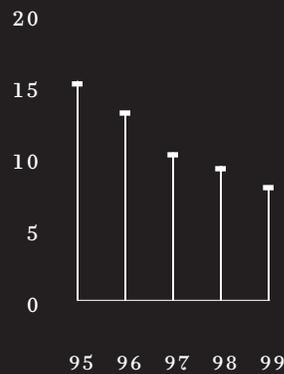
four stories,
one familiar face

Annual Report

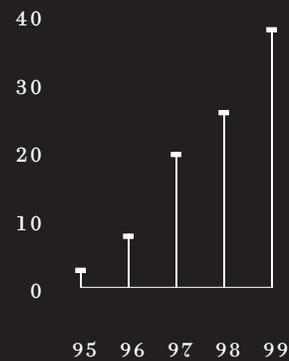




Net Sales
\$ in millions



Selling, General and
Administrative
Expenses
% of net sales



Operating
Income
\$ in millions
96-98 is pro forma data

PC Connection is one of the largest and most respected direct marketers of brand-name information technology products. As we have grown, our raccoon trademark has become a familiar face to computer users all over the world. For millions of customers, it is a promise of great selection, competitive prices, reliable information, and remarkably fast delivery. For us, it is a reminder of our founding and guiding principles—to offer exemplary service and competitive prices, and to serve as a trusted, unbiased source of information about technology and computing. And, it is our determination to remain true to our founding and guiding principles that has made us one of the best and most influential companies in the computer industry today.

PC Connection, Inc.

four stories,
one familiar face

From big to small,
and east to west.

From coffee to .com,
and labor to labs.

From business to business,
we're responding to
our customers' needs.

Dear Fellow Shareholders:

1999 was another outstanding year for PC Connection. Our rapid growth and accelerating earnings served as a platform for many new initiatives, which we believe set the tone for our future direction and build an even stronger foundation to support growth in the new millennium.

During 1999, the PC Connection team consistently executed on our core business growth strategies:

- Accelerating the growth of our Outbound Sales Managed Account Program;
- Expanding our product and service offerings;
- Focusing on high-growth customer segments;
- Leveraging the power of Internet technology; and
- Pursuing strategic acquisitions and alliances.

Our strategies have driven outstanding financial results.

For the full year, net sales surged 44%, breaking \$1 billion for the first time in the history of our company. More importantly, earnings per share also grew a robust 44% to a record \$1.41 per share for the year, with product gross margins expanding during the second half of the year to 12.2% in the third quarter and 12.6% in the fourth quarter. Our five-year compound growth rate in operating earnings was 96%, ranking PC Connection among an elite group of the fastest-growing companies in America. The financial markets also recognized our performance as our share price increased 96% from January 1, 1999 to December 31, 1999.

Our Outbound Sales Managed Account Program accounted for more than 65% of our total net sales in 1999, growing 78% over 1998.

Our core customers and markets are healthy and vibrant. Small- and medium-sized businesses (SMB), government, and educational organizations are aggressively investing in information technology (IT) products and solutions. The SMB market is one of the largest and fastest-growing markets. The appetite for IT products in this segment has never been greater. These companies and organizations need technologically savvy suppliers who can reliably deliver a wide range of products quickly and at competitive prices, while keeping customers abreast of frequent changes in product offerings and availability. Our rapidly expanding Outbound Sales Managed Account Program is specifically designed to meet the IT needs of today's rapidly growing, Internet savvy, middle market companies.



Patricia Gallup
Chairman and
Chief Executive Officer

Wayne L. Wilson
President and
Chief Operating Officer

Furthermore, the number of Outbound Sales Account Managers grew over 70% from 200 at the end of 1998 to 345 at the end of 1999 as a result of our aggressive recruiting efforts. Our goal is to increase the number of Account Managers to at least 500 by the end of 2000. At the same time, we are increasing our investments in training programs and other initiatives to further improve the overall productivity of our Outbound Sales Account Managers. During the year, Account Manager productivity, as measured by average order size, grew by more than 34%.

The virtual explosion of Internet-related business
is driving significant demand for
networking infrastructure products and services.

Networking infrastructure products, such as PC servers, routers and switches were among our fastest growing product categories in 1999. Sales of these products increased more than 150% in the fourth quarter of 1999 compared to the fourth quarter of 1998.

During the year, we invested heavily in training, technical certification and other programs to support the rapidly growing demand from our customers for networking infrastructure products. During the fourth quarter, we began offering our customers network integration and installation services through third-party providers. Our innovative Networking Sales Specialist Program, formally launched in January of this year, is already significantly enhancing our service levels and sales "close rates."

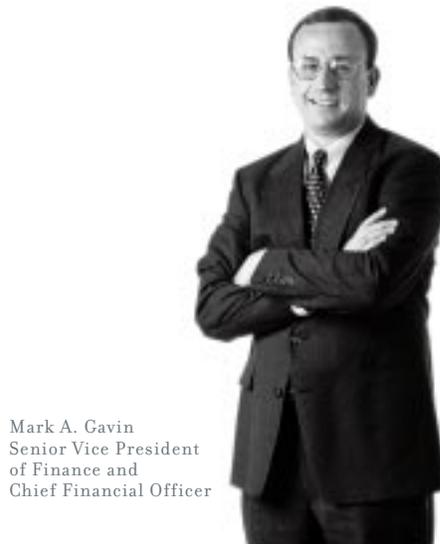
Over the next few years, we anticipate that an increasing share of our revenues will come from the sale of networking infrastructure products and services, including network-based storage solutions.

Internet-related growth is also driving customer growth.

Our fastest-growing customer segments include early stage Internet or Web-based businesses, and mainstream businesses implementing e-commerce solutions. All of these companies are investing aggressively in Web-based marketing programs; they are increasingly dependent on distributed data and communication networks. For them, speed is everything. Our pioneering *Everything Overnight*[®] program has set us apart as the premier rapid response supplier of information technology products and solutions to the middle market.



Robert F. Wilkins
Executive Vice President
and President of
PC Connection
Sales Corporation



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



John L. Bomba
Vice President of
Information Services and
Chief Information Officer

Net sales processed directly over the Company's Internet
Web sites in 1999 grew 100% to \$58 million.

Total Internet-sourced sales increased 85% for the year to over \$116 million. Internet-sourced sales include transactions initiated on the Web and then closed by a sales representative on the telephone, as well as transactions completed solely over the Web. Our *Internet Business Accounts*[®] program is off to a great start with over 2,000 of our larger corporate accounts now processing many of their orders online. Our Affiliates Program, launched in October 1999, is also bringing significant numbers of new customers to our Web sites at very economical customer acquisition costs. We believe that Internet-sourced sales will continue to be an increasingly significant component of our revenue growth.

For us, the Web fundamentally supports three of our key business strategies:

- *Customer choice* — We have built our business on the premise that our customers should be able to choose how they interact with us, be it by mail, telephone, fax, e-mail, or over the Web.
- *Lowering transaction costs* — Our Web site tools, including robust product search features, *Smart Selectors*[®], *Internet Business Accounts*[®], and special interest pages allow customers to quickly and easily find information about products of interest to them. If they have more questions, our Telesales Representatives and Outbound Sales Account Managers are just a phone call away. Our Web customers' phone calls are typically shorter and have higher close rates than calls from customers who have not first visited our Web sites.
- *Leveraging the time of our experienced Account Managers* — Our own investments in technology-based sales and service programs demonstrate the power of effective technology. We leverage our Account Managers to do what they do best — build and maintain relationships with our customers and help them solve their business problems.

Our innovative programs and services continue
to gain recognition in the marketplace.

PC Connection's Web sites have repeatedly been recognized among the top e-commerce sites on the Internet. *Yahoo Internet Life* recently named PC Connection "the best place to shop for computers" and also listed the Company as one of the 100 Best Sites on the Internet. In recognition of our role as a critical link between manufacturers of computer products and end users of these products, PC Connection was the only computer reseller included on the 1999 list of the "Top 100 Technology Companies that are Changing the World" which appeared in *PC Magazine*. In addition, PC Connection was awarded *PC World* magazine's prestigious "World Class Award" for the "Best On-Line / Mail-Order Company" for the eighth time in ten years.

In June 1999, we completed our first acquisition, ComTeq Federal, Inc.,
a specialty reseller serving the Federal Government market.

Dramatic change is creating consolidation opportunities across all IT product and distribution channels. Our acquisition strategy, built on extensive management experience and discipline, seeks to strengthen our market position through:

- Acquisition of new customers;
- Strengthening of product offerings;
- Addition of management talent; and
- Targeting transactions that are immediately accretive to earnings.

ComTeq has grown rapidly in recent years by focusing on key growth products — servers and other networking equipment. ComTeq's performance to date has met or exceeded our expectations, and their financial results have been accretive to our earnings.

More recently, we announced our acquisition of Merisel Americas', Marlborough, Massachusetts-based call center. We were very pleased that virtually all of the 100+ former Merisel employees offered employment with PC Connection elected to join our Company. The majority of these employees are experienced telesales Account Managers. Located only 50 miles from our Merrimack headquarters in a western suburb of Boston, the facility has capacity for approximately 250 Account Managers and provides us with expanded opportunities for additional sales recruiting in the greater Boston area.

We entered the year 2000 with tremendous momentum.

We are very optimistic about the strong and growing demand for rapidly delivered information technology products and solutions. We believe that we are well positioned to capitalize on these exciting market opportunities. We would like to recognize every employee of PC Connection whose hard work and commitment to our customers made 1999 an exceptional year. We appreciate your continued support, and trust you will share our vision for the future of PC Connection.

Sincerely,



Patricia Gallup
Chairman & Chief Executive Officer



Wayne L. Wilson
President & Chief Operating Officer

Situation > *Hot growth,
limited time,
stretched
resources —
a company on
the go.*

Result > *Hot java!
More efficient
technology
purchasing.*

Green MOUNTAIN COFFEE

no. 1

brewing with technology solutions

Green Mountain Coffee started working with PC Connection back in 1993. At the time we were buying about 8 PCs a week and we were specifically looking for a reliable source. Our company was growing by leaps and bounds as demand for gourmet-roasted coffee was at an all-time high. We were in the process of going public and we were adding on headcount and upgrading the whole company from 286MHz and 386MHz PCs to 486MHz PCs. Around the same time PC Connection started its Outbound Sales Managed Account Program and assigned us a dedicated account manager. We really were impressed because after discussing Green Mountain Coffee's needs, our account manager jumped right in and started shopping around to match our needs with product availability. PC Connection stood out from the rest by proactively coming to us with alternative solutions to ensure that as a customer, we were getting the best possible solutions all the time. Our technology and system needs have grown along with our company. In fact, we now rely on PC Connection for our networking needs too, and recently purchased a comprehensive network solution using Compaq servers. Over the years, we have developed an extremely close relationship with our PC Connection account manager and his team. PC Connection is definitely a valued and trusted partner to Green Mountain Coffee.

Jim Prevo, Vice President and Chief Information Officer,
Green Mountain Coffee, Inc. (NASDAQ: GMCR)



Situation > *Needed a printer fast. Went to PC Connection for quick turnaround.* **Result** > *Found a partner when a one-time emergency became a long-term alliance.*

FAIRMARKET

no. 2

going once, going twice...

We originally turned to PC Connection for a printer and ended up finding a partner. We work in Internet-time and have grown to rely on PC Connection to keep us up and running in a rapid-fire environment that never sleeps. PC Connection is now a valued member of the FairMarket team. Our business, network demands and expectations have all grown rapidly over the last year. Fortunately, PC Connection has been there at every turn to anticipate what we would need to meet our increased requirements. I like to think that PC Connection gave us its top account manager but in reality, I know the whole group is great at what they do. PC Connection works with us to make things happen. And while pricing is critical at the start of a sales relationship, we love working with PC Connection because the company is so service oriented. Our account manager's attitude is that no matter what it takes he will get us what we need even if that means finding it through alternative means. We've had multiple instances where PC Connection had to go above and beyond. In one case, one of our servers went down at 9 p.m. on a Friday night and our account manager had a hard-to-find, high-end Compaq server in our office the next day – a Saturday! This extreme responsiveness is unequalled in the industry.

Mike DeNovellis, Systems Administrator
FairMarket (NASDAQ: FAIM)



SOLD

Location: <http://fairmarket.com/>

FairMarket - NetScape

Home Search NetScape Print Stop Refresh

Situation > *Budget constraints at a large educational institution with lots of specialized needs.*

Result > *More bang for their buck — complete technology solutions at prices that make the grade.*

MIT

no. 3

a higher educational calling

For the past 13 years, PC Connection has been there for us as our source for competitively priced products, great customer service and overnight dependability. As an educational organization, MIT has unique needs related to budget constraints and disparate purchasing requirements. Over the years, we have come to rely on PC Connection. They understand the educational market and help us keep it all straight, from compatibility issues to full account histories. They help us get the most technology for our budget. My account manager makes the often-daunting task of keeping a university network up and running smoothly an easier job to manage. Any time we need to make a change, PC Connection is always willing to go that extra mile. Our account team is always accessible and gives us invaluable pre- and post-sale technical support. And while we aren't a Fortune 500 company, we sure feel like we are getting the same high level of service and attention as the largest corporate customer.

Mary C. Bacci, Purchasing Agent,
Massachusetts Institute of Technology
Central Procurement Office



Situation > *Over 800 distinctive branches needing on-site installation of the latest technology.*

Result > *Networking working with the help of trusted service providers to handle on-site service needs.*

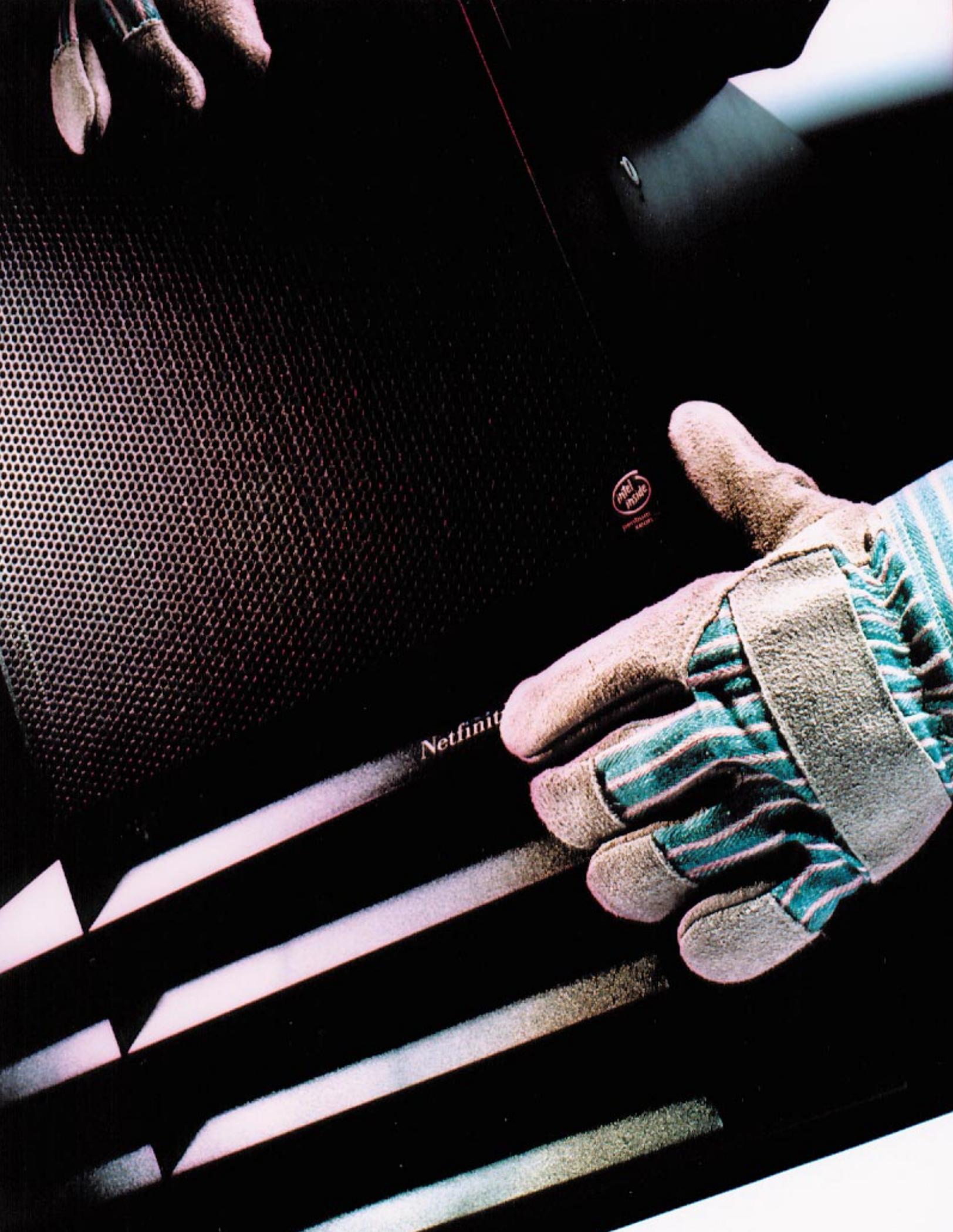
LABOR READY

no. 7

labor ready, set, go

PC Connection has always been a reliable resource for us to meet Labor Ready's hardware and software needs. We often have large quantities of technology equipment which we need to procure quickly and they have never let us down. They keep us up-to-date on changes in manufacturing and availability of the products they know we use. The company always works hard to get us the best possible pricing, warranties and product. Our account manager does what it takes to make sure our orders arrive the next day when needed, and works directly with manufacturers and suppliers on our behalf.

With more than 800 branches across the world, we often encounter challenging situations due to the differences in the equipment used in different countries. PC Connection has helped us on many occasions to resolve these issues. PC Connection also came through for us when we needed to deploy new servers, workstations, Local Area Network (LAN) hubs and enhance some network cabling at our branches. We did not have the capacity in-house to complete this task in the time required. Normally, finding a good vendor we could trust to do the work properly, quickly and at an acceptable cost would have been a real challenge. However, we went to PC Connection and explained what we needed and they put us in contact with one of the company's alliance partners who worked closely with us to get the job done. Thanks to PC Connection, we were able to finish the upgrade in a time frame that met our needs. We have been working with the company's alliance partner ever since, including having them assist us on the rollout of our Wide Area Networks (WAN). We love working with PC Connection because we get the products and solutions we need immediately and the customer service is always great.



Netfinit

made in
Germany

Financial Review

Consolidated Financial and Operating Highlights

(Dollars in thousands, except per share and selected operating data)

	Year ended December 31,				
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Statement of Operations Data:					
Net sales	\$1,056,704	\$732,370	\$550,575	\$333,322	\$252,217
Cost of sales	927,358	639,096	474,609	282,117	211,299
Gross profit	<u>129,346</u>	<u>93,274</u>	<u>75,966</u>	<u>51,205</u>	<u>40,918</u>
Selling, general and administrative expenses	91,405	68,521	56,596	43,739	38,373
Additional stockholder/officer compensation ⁽¹⁾		2,354	12,130	1,259	
Income from operations	<u>37,941</u>	<u>22,399</u>	<u>7,240</u>	<u>6,207</u>	<u>2,545</u>
Interest expense	(1,392)	(415)	(1,355)	(1,269)	(1,296)
Other, net	116	565	(42)	70	62
Income before income taxes	<u>36,665</u>	<u>22,549</u>	<u>5,843</u>	<u>5,008</u>	<u>1,311</u>
Income taxes ⁽²⁾	(13,935)	(3,905)	(639)	(252)	(38)
Net income	<u>\$ 22,730</u>	<u>\$ 18,644</u>	<u>\$ 5,204</u>	<u>\$ 4,756</u>	<u>\$ 1,273</u>
		Pro forma data ⁽³⁾ :			
Net income	<u>\$ 22,730</u>	<u>\$ 15,272</u>	<u>\$ 10,890</u>		
Basic net income per share	<u>\$ 1.45</u>	<u>\$ 1.01</u>	<u>\$ 0.79</u>		
Diluted net income per share	<u>\$ 1.41</u>	<u>\$ 0.98</u>	<u>\$ 0.76</u>		
Selected Operating Data:					
Active customers ⁽⁴⁾	732,000	684,000	510,000	424,000	353,000
Catalogs distributed	47,325,000	42,150,000	33,800,000	18,600,000	16,800,000
Orders entered ⁽⁵⁾	1,622,000	1,510,000	1,252,000	910,000	854,000
Average order size ⁽⁵⁾	\$ 781	\$ 580	\$ 524	\$ 453	\$ 346
Product mix:⁽⁶⁾					
Computer systems/Memory	48%	44%	42%	35%	26%
Peripherals	34	35	34	38	39
Software	12	14	16	18	23
Networking/Communications	6	7	8	9	12
Platform mix:⁽⁶⁾					
Wintel	85%	80%	80%	77%	73%
Apple related	15	20	20	23	27
Channel mix:⁽⁶⁾					
Outbound	66%	53%	47%	38%	21%
Inbound	29	43	52	62	79
Internet	5	4	1		
			December 31,		
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Balance Sheet Data:					
Working capital	\$ 72,250	\$ 53,768	\$ 18,907	\$14,622	\$10,994
Total assets	223,537	164,510	105,442	77,358	49,661
Short-term debt	1,137	123	29,568	13,057	4,933
Long-term debt					
(less current maturities):					
Capital lease obligations	6,945	7,081			
Term loan			3,250	4,250	5,000
Notes Payable	2,000				
Total stockholders' equity	94,223	69,676	24,120	18,043	13,057

- (1) 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.
- (2) For all periods prior to March 6, 1998, the Company had been an S Corporation and accordingly had not been subject to Federal income taxes.
- (3) The following pro forma adjustments have been made to the historical results of operations to make the pro forma presentation comparable to what would have been reported had the Company operated as a C Corporation for 1998 and 1997:
- (i) Elimination of stockholder/officer compensation in excess of aggregate annual base salaries of \$600 to be in effect during 1998 in accordance with employment agreements and.
- (ii) Computation of income tax expense assuming an effective tax rate of approximately 39% and after adjusting stockholder/officer compensation expense described in (i) above.
- (4) Estimate of all customers included in the Company's mailing list who have made a purchase within the last twelve month period.
- (5) Does not reflect cancellations or returns.
- (6) Percentage of net sales.

Consolidated Summary Financial Data

(Amounts in thousands, except per share data)

	Year ended December 31,			
	<u>1999</u>		<u>1998</u>	
	Amount	%of Net Sales	Amount	%of Net Sales
Income Statement Data:				
Net sales	\$1,056,704	100.00%	\$732,370	100.00%
Cost of sales	<u>927,358</u>	<u>87.76</u>	<u>639,096</u>	<u>87.26</u>
<i>Gross profit</i>	129,346	12.24	93,274	12.74
Selling, general and administrative expenses	91,405	8.65	68,521	9.36
Additional stockholder/officer compensation	<u> </u>	<u> </u>	<u>2,354</u>	<u>0.32</u>
<i>Income from operations</i>	37,941	3.59	22,399	3.06
Interest expense	(1,392)	(.13)	(415)	(0.06)
Other, net	<u>116</u>	<u>.01</u>	<u>565</u>	<u>0.08</u>
Income before income taxes	36,665	3.47	22,549	3.08
Income taxes ⁽¹⁾	<u>(13,935)</u>	<u>(1.32)</u>	<u>(3,905)</u>	<u>(0.53)</u>
<i>Net income</i>	<u>\$ 22,730</u>	<u>2.15%</u>	<u>\$ 18,644</u>	<u>2.55%</u>
Weighted average common shares outstanding:				
Basic	<u>15,650</u>			
Diluted	<u>16,111</u>			
Earnings per common share:				
Basic	<u>\$ 1.45</u>			
Diluted	<u>\$ 1.41</u>			
Pro forma data:				
Historical income before income taxes			\$ 22,549	
Pro forma adjustment – stockholder/officer compensation in excess of base salaries ⁽²⁾			<u>2,354</u>	
Pro forma income before income taxes			24,903	
Pro forma income taxes			<u>9,631</u>	
Pro forma net income ⁽²⁾			<u>\$ 15,272</u>	
Pro forma weighted average shares outstanding:				
Basic			<u>15,165</u>	
Diluted			<u>15,669</u>	
Pro forma earnings per share:				
Basic			<u>\$ 1.01</u>	
Diluted			<u>\$ 0.98</u>	

(1) For all periods prior to March 6, 1998, the Company elected to be treated as an S Corporation under Subchapter S of the Code, and applicable state laws. Effective March 6, 1998, the closing of the Company's initial public offering, the Company's S Corporation election was automatically terminated, and the Company became subject to federal and state income taxes as a C Corporation from that date forward. For the year ended December 31, 1998, the income tax provision includes a \$4.2 million tax benefit related to the establishment of additional deferred tax assets for future tax deductions resulting from the termination of the Company's Subchapter S Corporation status.

(2) Pro forma net income is determined by (i) eliminating stockholder/officer compensation in excess of the aggregate annual base salaries (\$600), and (ii) eliminating the actual income tax provision and adding a provision for Federal and state income taxes that would have been payable by the Company if taxed under Subchapter C of the Code for all periods prior to March 6, 1998.

Consolidated Balance Sheet Data

(Amounts in thousands)

December 31,

	<u>1999</u>	<u>1998</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,416	\$ 11,910
Accounts receivable, net	99,405	58,890
Inventories—merchandise	64,348	63,425
Deferred income taxes	1,991	3,181
Prepaid expenses and other current assets	4,651	4,115
<i>Total current assets</i>	<u>190,811</u>	<u>141,521</u>
Property and equipment, net	23,126	22,675
Deferred income taxes		314
Goodwill	9,431	
Other assets	169	
<i>Total assets</i>	<u>\$223,537</u>	<u>\$164,510</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of capital lease obligation to affiliate	\$ 137	\$ 123
Current maturities of long-term debt	1,000	
Accounts payable	105,547	77,561
Accrued expenses and other liabilities	11,877	10,069
<i>Total current liabilities</i>	<u>118,561</u>	<u>87,753</u>
Notes payable, less current maturities	2,000	
Capital lease obligation to affiliate, less current maturities	6,945	7,081
Deferred taxes	1,579	
Other liabilities	229	
<i>Total liabilities</i>	<u>129,314</u>	<u>94,834</u>
Stockholders' equity:		
Common stock	158	156
Additional paid-in capital	58,627	56,812
Retained earnings	35,438	12,708
<i>Total stockholders' equity</i>	<u>94,223</u>	<u>69,676</u>
<i>Total liabilities and stockholders' equity</i>	<u>\$223,537</u>	<u>\$164,510</u>

Consolidated Changes in Stockholders' Equity

(Amounts in thousands)

Year ended December 31, 1999

	Common Stock		Additional Paid in Capital	Retained Earnings	Total
	Shares	Amount			
<i>Balance, January 1, 1999</i>	15,605	\$156	\$56,812	\$12,708	\$69,676
Exercise of stock options, including income tax benefits	117	1	1,183		1,184
Issuance of stock under employee stock purchase plan	45	1	470		471
Compensation under nonstatutory stock option agreements			162		162
Net income				22,730	22,730
<i>Balance, December 31, 1999</i>	<u>15,767</u>	<u>\$158</u>	<u>\$58,627</u>	<u>\$35,438</u>	<u>\$94,223</u>

Consolidated Cash Flow Data

(Amounts in thousands)

	Year ended December 31,	
	<u>1999</u>	<u>1998</u>
Cash Flows from Operating Activities:		
Net income	\$ 22,730	\$ 18,644
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,334	2,866
Deferred income taxes	2,523	(1,945)
Compensation under nonstatutory stock option agreements	162	1,297
Provision for doubtful accounts	6,821	6,296
Loss on disposal of fixed assets	159	
Changes in assets and liabilities:		
Accounts receivable	(42,795)	(35,265)
Inventories	(305)	295
Prepaid expenses and other current assets	(504)	(1,910)
Accounts payable	19,945	39,387
Amounts payable to stockholders		(1,185)
Accrued expenses and other liabilities	1,969	926
Net cash provided by operating activities	<u>16,039</u>	<u>29,406</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(7,653)	(9,922)
Proceeds from sale of property and equipment	2,155	58
Payments for purchase of subsidiary, net of cash acquired	(3,198)	
Net cash used for investing activities	<u>(8,696)</u>	<u>(9,864)</u>
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	442,731	160,098
Repayment of short-term borrowings	(442,731)	(188,416)
Repayment of term loan		(4,500)
Repayment of capital lease obligation to affiliate	(122)	(11)
Issuance of stock upon exercise of stock options	814	223
Issuance of stock under Employee Stock Purchase Plan	471	
Net proceeds from initial public offering		57,253
Payment of dividend		(33,037)
Net cash provided by (used for) financing activities	<u>1,163</u>	<u>(8,390)</u>
Increase in cash and cash equivalents	8,506	11,152
Cash and cash equivalents, beginning of period	11,910	758
Cash and cash equivalents, end of period	<u>\$ 20,416</u>	<u>\$ 11,910</u>
Supplemental Cash Flow Information:		
Interest paid	\$ 1,398	\$ 497
Income taxes paid	9,374	7,275
Non-Cash Transactions:		
Issuance of notes payable in connection with acquisition of subsidiary	\$ 3,000	\$
Assets acquired under capital lease		7,215

Board of Directors

Patricia Gallup
Chairman and
Chief Executive Officer

David Hall
Vice Chairman

David B. Beffa-Negrini
Vice President of Media
Development

Martin C. Murrer
Managing Director of
AEA Investors Inc.
Audit and Compensation
Committees

Peter J. Baxter
Audit and Compensation
Committees

Executive Officers

Patricia Gallup
Chairman and
Chief Executive Officer

Wayne L. Wilson
President and
Chief Operating Officer

Robert F. Wilkins
Executive Vice President
and President of
PC Connection
Sales Corporation

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

John L. Bomba
Vice President of
Information Services and
Chief Information Officer

Locations

PC Connection, Inc.

Corporate Headquarters
730 Milford Road
Merrimack, NH 03054

PC Connection Sales Corporation

450 Marlboro Street
Keene, NH 03431

100 Main Street
Dover, NH 03820

293 Boston Post Road
Marlborough, MA 01752

Merrimack Services Corporation

2870 Old State Route 73
Wilmington, OH 45177

ComTeq Federal, Inc.

7503 Standish Place
Rockville, MD 20855

Market Information

The Company's Common Stock commenced trading on March 3, 1998 on the Nasdaq National Market under the symbol "PCCC". As of March 27, 2000, there were 15,794,298 shares outstanding of the Common Stock of the Company held by approximately 70 stockholders of record.

The following tables set forth for the fiscal periods indicate the range of high and low closing prices for the Company's Common Stock on the Nasdaq National Market.

1999	High	Low
Quarter Ended:		
December 31	\$34 ⁷ / ₈	\$13 ² / ₃
September 30	17 ³ / ₈	12
June 30	19	12
March 31	27 ¹ / ₈	11 ¹ / ₈

1998	High	Low
Quarter Ended:		
December 31	\$40	\$ 6
September 30	25 ³ / ₄	9 ³ / ₄
June 30	22 ¹ / ₄	12
March 31	22 ¹ / ₈	18 ⁵ / ₈

The Company has never declared or paid cash dividends on its capital stock. The Company currently anticipates that it will retain all future earnings, if any, to fund the development and growth of its business and does not anticipate paying any cash dividends on its Common Stock in the foreseeable future.

Shareholder Information

PC Connection's Corporate Communications Department is responsible for shareholder communications and welcomes shareholder inquiries about PC Connection, either by telephone, or in writing. The annual report, filings with the U.S. Securities and Exchange Commission and general information can be obtained upon written request to:

Corporate Communications
Attention: Tracey Turner
PC Connection, Inc.
730 Milford Road
Merrimack, NH 03054-4631
(603) 423-2163

Or by visiting PC Connection's Web site on the Internet: <http://www.pcconnection.com>

Annual Meeting

The annual meeting for shareholders will be held at 10 a.m. on May 25, 2000 at the Crowne Plaza Hotel, Somerset Parkway, Nashua, New Hampshire.

Transfer Agent

American Stock Transfer & Trust Co.
40 Wall Street, 46th Floor
New York, New York 10005
718-921-8360

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www.pconnection.com