2000 ANNUAL REPORT

ePlus inc.

CONTENTS

AUGUST 2000
A LETTER TO OUR SHAREHOLDERS:

In year 2000, we took the occasion of our 10th consecutive year of profitability to launch a new company name and branding architecture: ***e*Plus**, and ***e*PlusSuite**. Our new ticker, PLUS, symbolizes the positive steps we have taken to enhance shareholder return and drive value to our customers.

Our goal at ***e*Plus** is to be the best provider of supply chain management solutions, including buy-side e-procurement, market exchanges, and supplier integration. By re-engineering and broadening our solution set to incorporate the Internet, we have enhanced the customer-focus of our business model. ***e*Plus** provides a cost-effective and highly functional solution that shortens our customer's implementation cycle by hosting and managing the system for the customer. Our approach begins with asking customers what they need. Then, we execute by delivering the most cost effective solutions in the market.

We are in a great position to capitalize on this strategy because our core businesses now have a direct, logical, and profitable extension to the Internet. This alone gives us great advantage over competitors trying to achieve scale in this market. We stand out further by providing a comprehensive, end-to-end solution that captures those parts of the supply chain process most important to our customers. The customer's benefits include improved operating efficiency, productivity and expense control on a company-wide basis.

The focus of our company in the coming year is to drive our e-commerce business by further developing the product and scaling operations. Our intensity is great. We are hiring experienced managers with technology backgrounds, building our sales force, investing in research and development, and creating strategic alliances with partners characterized by extensive reach and complementary products and services. Ultimately, ***e*Plus** will be a great brand because we understand our customers and have designed our products around them.

Our year 2000 financial results underline the solid results of our core businesses. We will use the cash flow and earnings from these businesses to leverage and accelerate our e-commerce strategy. Total revenues generated by the company during the year ended March 31, 2000 were $264.7 million compared to $194.0 million for the year ended March 31, 1999, an increase of 36.5%.

We also demonstrated real promise in our new e-commerce segment, with net e-commerce revenues in our fourth quarter (the first full quarter of e-commerce operations) of $1.8 million. For the year ended March 31, 2000, the company recorded $8.8 million in gross e-commerce revenues, including $1.4 million in ***e*PlusSuite** revenues. In April 2000, we completed a secondary offering during a very turbulent time in the capital markets. This offering will allow us to build our e-commerce business faster and better.

In summary, we thank our employees, customers, partners and shareholders for their continued support and look forward to more shared success in the coming year.

Phillip G. Norton
President and CEO

Back row, from left to right: Nadim Achi, Kley Parkhurst, Phil Norton, Steve Mencarini and Bruce Bowen.
Front row, from left to right: Sara Gilbertson, Maura Cliff, Susan Lawlor and Mindy Barton.

EXECUTIVE OFFICERS

Phillip G. Norton
Chairman of the Board,
President and Chief Executive Officer

Bruce M. Bowen
Director and Executive Vice President

Steven J. Mencarini
Senior Vice President and Chief Financial Officer

Kleyton L. Parkhurst
Senior Vice President, Secretary and Treasurer

Nadim Achi
President, ***e***Plus Technology, inc.

Mindy Barton
Vice President, Customer Relationship
Management, ***e***Plus Group, inc.

Maura Cliff
Vice President, Administration, ***e***Plus Group, inc.

Susan Lawlor
Vice President, Administration, ***e***Plus Group, inc.

Tom Howard
Vice President, ***e***Plus Group, inc.

George Fox
Vice President, Finance, ***e***Plus Group, inc.

Kim Holland
Vice President, Taxation, ***e***Plus Group, inc.

Sara Gilbertson
Vice President, Marketing, ***e***Plus Group, inc.

David Nielsen
Vice President, Sales, ***e***Plus Group, inc.

David Ansell
Vice President, ***e***Plus Technology

David Rose
President, ***e***Plus Technology
of NC, inc.

Vince Marino
President, ***e***Plus Technology
of PA, inc.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended March 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____ .

Commission file number: 0-28926

*e*Plus inc.

(Exact name of registrant as specified in its charter)

Delaware	54-1817218
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

400 Herndon Parkway, Herndon, VA 20170
(Address, including zip code, of principal offices)

Registrant's telephone number, including area code: (703) 834-5710

Securities registered pursuant to Section 12(b) of the Act::

Title of each class	Name of each exchange on which registered
	None

Securities registered pursuant to Section 12(g) of the Act::
Common Stock, $0.01 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definite proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K or any amendment to this Form 10-K.. [X]

The aggregate market value of the voting stock held by non-affiliates of the Company, computed by reference to the price at which the stock was sold as of June 19, 2000 was $126,219,258. The number of shares of Common Stock outstanding as of June 19, 2000, was 9,669,589.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into the following parts of this Form 10-K:

Document	Part
Portions of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the Company's fiscal year end.	Part III

PART I

ITEM 1. BUSINESS

ePLUS INC. CORPORATE STRUCTURE

*e*Plus inc. ("the Company" or "*e*Plus"), a Delaware corporation, was formed in 1996. *e*Plus changed its name from MLC Holdings, Inc. on October 19, 1999. *e*Plus engages in no other business other than serving as the parent holding company for the following companies:

• *e*Plus Group, inc.
("*e*Plus Group" name changed effective February 1, 2000 from MLC Group, Inc.);

• *e*Plus Technology of NC, inc.
(name changed effective January 31, 2000 from MLC Network Solutions, Inc.);

• *e*Plus Technology of PA, inc.
(name changed effective January 31, 2000 from Educational Computer Concepts, Inc. which conducted business as MLC Integrated, Inc.);

• *e*Plus Technology, inc.
(name changed effective February 1, 2000 from PC Plus, Inc.);

• *e*Plus Government, inc.
(name changed effective February 1, 2000 from MLC Federal, Inc.);

• *e*Plus Capital, inc.
(name changed effective February 1, 2000 from MLC Capital, Inc.); and

• MLC Leasing, S.A. de C.V.
(a subsidiary wholly owned by *e*Plus Group, inc. and *e*Plus Technology of NC, inc.)

*e*Plus Group also has a 5% membership interest in MLC/CLC LLC and serves as its manager. *e*Plus Group previously had a 50% ownership interest in MLC/GATX Leasing Corporation which was the general partner of MLC/GATX Limited Partnership I. On December 31, 1998, *e*Plus Group terminated its ownership interest in MLC/GATX Leasing Corporation and purchased all of the assets of MLC/GATX Limited Partnership I. *e*Plus Government, inc. was incorporated on September 17, 1997 to handle business servicing the federal government marketplace which includes financing transactions that are generated through government contractors. *e*Plus Capital, inc. did not transact any business during the fiscal year ended March 31, 2000 and is not expected to transact business in the near future. On October 22, 1997, the Company formed MLC Leasing, S.A. de C.V., which is directly owned by *e*Plus Group, inc. and *e*Plus Technology of NC, inc., to provide a legal entity capable of conducting a leasing business in Mexico. To date, this entity has conducted no business and has no employees or business locations.

ACQUISITIONS

DATE ACQUIRED	COMPANY ACQUIRED	BUSINESS LOCATION	ACCOUNTING METHOD	CONSIDERATION PAID
July 24, 1997	Compuventures of Pitt County, Inc. (now named *e*Plus Technology of NC, inc.)	Wilmington, Greenville, and Raleigh, NC	Pooling of Interests	260,978 shares of Common Stock valued at $3,384,564
September 29, 1997	Educational Computer Concepts, Inc. (now named *e*Plus Technology of PA, inc.)	Pottstown, PA	Pooling of Interests	498,998 shares of Common Stock valued at $7,092,000
July 1, 1998	PC Plus, Inc. (now named *e*Plus Technology, inc.)	Herndon, VA	Purchase	263,478 shares of Common Stock valued at $3,622,823 and $3,622,836 in cash
October 1, 1999	CLG, Inc. (merged into *e*Plus Group, inc. upon acquisition)	Raleigh, NC	Purchase	392,990 shares of Common Stock valued at $3,900,426, subordinated notes to seller of $3,064,574 and $29,535,000 in cash

OUR BUSINESS

We provide Internet-based, business-to-business supply chain management solutions for information technology and other operating resources. On November 2, 1999, we introduced our remotely-hosted electronic commerce solution, *e*PlusSuite, which combines Internet-based tools with dedicated customer service to provide a comprehensive outsourcing solution for the automated procurement, management, financing and disposition of operating resources.

The *e*PlusSuite solution consists of four modules which can be operated independently or integrated to provide a full suite of services:

- Procur*e*+ is an electronic procurement and content management solution which allows customers to automate their internal workflow procedures for the procurement of operating resources.

- Manag*e*+ is an electronic infrastructure management solution which provides asset management through an asset repository and tracking database.

• Financ*e*+ facilitates automated financing solutions for assets procured through Procur*e*+ or Manag*e*+.

• Servic*e*+ provides implementation and customization services, fulfillment and asset disposition.

We have been in the business of selling, leasing, financing, and managing information technology and other assets for nearly ten years and currently derive the majority of our revenues from such activities. We sell, using our internal sales force and through vendor relationships, primarily to commercial customers and federal, state and local governments. We also lease and finance equipment, software, and services directly and through relationships with vendors, equipment manufacturers, and systems integrators. The introduction of *e*PlusSuite reflects our transition to a business-to-business electronic commerce solutions provider from our historical sales and financing business. Over time, we plan to use our *e*PlusSuite platform to facilitate sales and financing transactions between our customers and third parties rather than originate these transactions as principal. As a result, we expect our electronic commerce revenues to substantially increase and represent a greater portion of our total revenues.

INDUSTRY BACKGROUND

Growth of the Internet as a Platform for Efficient Business-to-Business Electronic Commerce.

The Internet is rapidly becoming the preferred channel for business-to-business transactions. It has fundamentally changed how companies of all sizes communicate and share information. In the intensely competitive global business environment, businesses have increasingly adopted the Internet to streamline their business processes, lower costs and make their employees more productive.

Traditional Areas of Business Process Automation

Businesses have traditionally attempted to reduce costs through the automation of internal processes. In particular, these efforts focused on the procurement of direct goods such as raw materials and unfinished products. Similar efforts have been made to improve the procurement process for operating resources, which include information technology and telecommunications equipment, office equipment and supplies, travel and entertainment, professional services and other repeat purchase items. The purchase and sale of these goods comprise a large portion of business-to-business transactions.

Many organizations conduct procurement and management of operating resources through costly paper-based processes that require actions by many individuals both inside and outside the organization. Traditional processes also do not generally feature automated spending and procurement controls and, as a result, may fail to direct spending to preferred vendors and may permit spending on unapproved goods and services.

Many large companies have installed enterprise resource planning (“ERP”) and supply chain automation systems and software to increase their procurement efficiency for operating resources. These systems are often complex and are designed to be used by a relatively small number of sophisticated users. They may not provide the necessary inter-activity with the vendor. In addition, a variety of point-to-point solutions such as electronic data interchange have been developed. However, the expense and complexity associated with licensing, implementing and managing these solutions can make them unsuitable for all but the largest organizations.

Certain providers of business-to-business electronic commerce solutions have attempted to link purchasers and vendors of operating resources and services into trading communities over the Internet. Their solutions are software-based and enable development of marketplaces to operate among participants with similar systems and primarily cater to larger firms.

Opportunity for Business-to-Business Electronic Commerce and Supply Chain Management Solutions

We believe that an opportunity exists to provide Internet-based supply chain management solutions which are remotely-hosted. Our end-to-end business process solutions integrate the procurement and management of assets with financing, fulfillment and other asset services. These solutions streamline processes within an organization and provide integrated access to third-party content, commerce and services. Our comprehensive approach also facilitates relationships with preferred vendors.

Our target customers are primarily middle-market companies, with revenues between $25 million and $1 billion per year. We believe there are over 60,000 customers in our target market.

Our target customer has one or more of the following business characteristics that we believe make *e*PlusSuite a preferred solution:

- seeks a lower cost alternative to enterprise software solutions;

- will benefit from the cost savings and efficiency gains that can be obtained from an Internet-based procurement solution;

- prefers to retain the flexibility to negotiate prices with designated vendors or buying exchanges;

- wants to lower its total cost of ownership of information technology assets by standardizing configurations and proactively managing its fixed asset base over the life of the asset; and

- seeks a comprehensive solution for its entire asset management supply chain.

THE ePlus SOLUTION

We provide an integrated suite of Internet-based business-to-business supply chain management solutions designed to improve productivity and enhance operating efficiency on a company-wide basis. Our *e*PlusSuite currently includes Internet-based applications for the procurement and management of operating resources that can be integrated with financing and other asset services. In addition, our solution uses the Internet as a gateway between employees and third-party content, commerce and service providers. We believe our solution makes our customers' companies more efficient, while providing better information to management.

*e*PlusSuite allows customers to automate and customize their existing business rules and procurement processes using an Internet-based workflow tool. We offer a remotely-hosted solution with a transaction-based fee structure that reduces up-front costs for customers, facilitates quick adoption, and eliminates the need for customers to maintain and update software. We believe our solution can be implemented faster with less customer training than many competing software-based solutions.

STRATEGY

Our goal is to become a leading provider of Internet-based supply chain management solutions. The key elements of our strategy include the following:

Convert our existing customer base to become users of ePlusSuite

We have an existing client base of approximately 1,500 customers. We believe our years of experience in developing supply chain management solutions, including financing, asset management and information technology sales and service, give us significant advantages over our competitors. Consequently, we believe we are well-positioned to offer a comprehensive Internet-based supply chain management solution tailored to meet our customers' specific needs.

Since the introduction of *e*PlusSuite on November 2, 1999, we have implemented or are in the process of implementing, as of June 17, 2000, the *e*PlusSuite solution with 55 customers.

Expand our sales force and marketing activities

We currently have approximately 92 people in our sales function in 11 offices, and we plan to substantially increase the number of salespersons and locations in the next 12 months. We intend to expand our presence in locations that have a high concentration of fast-growing middle market companies. In addition, we plan to add sales staff to some of our existing offices. We will seek to hire experienced personnel with established customer relationships and with backgrounds in hardware and software sales, telecommunications sales, and supply chain management. We also plan to increase market awareness of *e*PlusSuite through advertising and public relations campaigns. We may also selectively acquire companies that have attractive customer relationships, skilled sales forces or have technology or services that may enhance our *e*PlusSuite offerings.

Expand the functionality of our Internet-based solutions

We intend to continue to modify *e*PlusSuite to expand its functionality to serve customer needs. In addition, we intend to use the flexibility of our platform to offer additional products and services through *e*PlusSuite. As part of this strategy, we may also acquire technology companies to expand and enhance the platform of *e*PlusSuite to provide additional functionality and value added services.

Expand our strategic relationships to market and enhance ePlusSuite

We intend to expand and develop strategic relationships to accelerate market acceptance of our electronic commerce business solutions. We believe these strategic relationships will allow us to access a wider customer base and expand the functionality of *e*PlusSuite. We recently entered into joint marketing arrangements with PSINet, Inc. and with finance subsidiaries of Chase Manhattan, Inc. and Wachovia Corporation, that enable us to market *e*PlusSuite to their customers. We believe these marketing relationships can be a potential substantial source of growth.

Increase our role as intermediary in sales and financing transactions

Over time, we plan to use our *e*PlusSuite platform to facilitate sales and financing transactions between our customers and third parties, rather than originate these transactions as principal. We currently buy and sell information technology assets and provide financing directly to our customers. We believe we can leverage our financing expertise and relationships to arrange programs with specific institutions to provide financing directly to our electronic commerce customers.

DESCRIPTION OF *e*PLUSSUITE

*e*PlusSuite consists of four services, Procur*e*+, Manag*e*+, Financ*e*+ and Servic*e*+. These components are fully integrated in that each component links with and shares information with the other components. Procur*e*+ and Manag*e*+ are remotely-hosted electronic commerce solutions, and Financ*e*+ and Servic*e*+ are services provided by us.

PROCURE+ Procur*e*+ offers Internet-based procurement capabilities that enable companies to reduce their purchasing costs while increasing their overall supply chain efficiency. Cost reductions are achieved through user-friendly application functionality designed to reduce off-contract, or unauthorized purchases, automate unnecessary manual processes, improve leverage with suppliers and provide links to a sophisticated asset information repository, Manag*e*+. Procur*e*+ is a remotely-hosted solution. Its core technology is based on Microsoft active server pages and Microsoft Sequel Server. Active server pages and common object method software technology permits scalability, flexibility and open architecture standards.

Procur*e*+ provides the following features and functions for the customer:

• Electronic Catalogs – combines multiple vendor catalogs including item pricing and availability information which can be updated as required. Catalog content can be viewed in customized formats and can include detailed product information.

• Workflow and Business Rules – graphically displays complex business rules to build the internal workflow process to mirror the customer's organization. Multiple business rules can be used, and changes can be made by the customer or *e*Plus. Approval thresholds and routing rules can be set by dollar amount, quantity, asset type or other criteria. No coding or expensive programming is required at the customer level.

• Order Tracking – provides detailed information online about every order, including date and time stamps from requestors, approvers, purchasers, vendors and shippers enabling customers to track orders and to create detailed order audit trails.

• Order Information – contains multiple data fields which can be easily customized to provide complete information to the customer, such as accounting codes, budget costs, cost center information, notes, and shipping and billing information.

The key benefits of Procur*e*+ include:

• easy to use, Internet-based interface that requires no software to be installed at a customer's location and limited training;

• easy implementation without the assistance of consultants, and at the present time, no upfront license fees, ongoing maintenance or upgrade costs;

• integration of multiple vendor catalogs and advanced search, filtering and viewing capabilities that allow the customer to control views by user groups;

• an easily configured workflow module that automates and controls each customer's existing business processes for requisition or order routing, approval and preparation;

• order status reporting throughout the requisition process as well as real-time connections to suppliers for pricing and availability and other critical information; and

• controls unauthorized purchasing and enables usage of preferred vendors for volume discounts.

MANAGE+ Manag*e*+ offers Internet-based asset management capabilities that are designed to provide customers with comprehensive asset information to enable them to proactively manage their fixed assets and lower the total cost of ownership of the assets. Assets procured using Procur*e*+ or from other sources populate the Manag*e*+ database to provide a seamless link. Manag*e*+ is a remotely-hosted solution. Its core technology is based on Sybase's Enterprise Application Server and CORBA (common object request broker architecture) and JAVA script.

Manag*e*+ provides the following information to the customer:

• Asset Information – contains descriptive information on each asset including serial number, tracking number, purchase order number, manufacturer number, model number, vendor, category, billing code, order date, shipping date, delivery date, install date, equipment status and, if applicable, lease number, lease schedule, lease start date, lease end date, lease term, remaining term and information on any options ordered with the equipment.

• Location Information – provides asset location information including an address, building or room number, or other information required by the customer.

• Cost Center Information – supports invoicing assets to cost center or budget categories.

• Maintenance Information – maintains a history of the asset. As maintenance and warranty repairs are made, information may be updated. The information includes the date, a description of the service performed and the cost.

• Invoice Information – maintains information from the original invoice on the asset for warranty and tracking purposes.

• Financial Information – tracks all financial information on the asset, including purchase price or lease cost, software licensing costs and warranty and maintenance information.

• Customized Information – user specific information can also be maintained.

The key benefits of Manag*e*+ include:

• an easy to use Internet-based interface that requires no software to be installed at a customer's location and limited training;

• easy implementation without the assistance of consultants and entails no upfront license fee or ongoing maintenance or upgrade costs;

- providing the information necessary to proactively manage the fixed asset base, including property and sales tax calculations, upgrade and replacement planning, technological obsolescence and total cost of ownership calculations;

- automating invoice reconciliation to reduce errors and track vendor performance, including evaluating scheduled delivery versus actual delivery performance;

- management of warranty and maintenance information to reduce redundant maintenance fees and charges on equipment no longer in use;

- tracking of all pertinent financial, contractual, location, cost center, configuration, upgrade and usage information for each asset enabling customers to calculate the return of their investment by model, vendor, department or other factors; and

- reducing overruns and assists with application rollouts and the annual budgeting process.

FINANCE+ Financ*e*+ is a service that facilitates the financing of purchases on terms previously negotiated by a customer with a financing provider while automating the accumulation of data to assist in the financing process.

Financ*e*+ allows customers to order equipment when desired and aggregate a substantial number of orders onto one or more financing transactions at the end of a pre-determined order period (usually one to three months). Transactions can then be invoiced by location, division, or business unit if so desired by the customer. Financ*e*+ can help a customer simplify the process, lower costs and increase productivity.

We can assist customers in structuring loans, leases, sales/leasebacks, tax-exempt financing, vendor programs, private label programs, off-balance sheet leases and federal government financing in order to meet their requirements.

SERVICE+ Servic*e*+ is our technology business unit which provides implementation and customization services for the rapid implementation of *e*PlusSuite, as well as fulfillment and asset disposition services. Servic*e*+ allows customers to obtain high-quality services which can be seamlessly linked with other components of our *e*PlusSuite solution. Assets which are procured through Procur*e*+ can be configured, imaged, staged, and installed by us on the customer site. Our services also assist our customers in managing their existing information technology asset base, including maintenance, engineering , and other technology services.

IMPLEMENTATION AND CUSTOMER SERVICE

We use a project management approach to the implementation of *e*PlusSuite with each new *e*PlusSuite customer. Our team consists of *e*PlusSuite implementation specialists who are responsible for the customer evaluation and implementation of the solution, customer relationship managers who lead the customer’s long-term support team, and the appropriate Servic*e*+ staff members to provide technology services, if required, to the customer.

Our implementation of *e*PlusSuite is a multi-step process that requires, on average, approximately four weeks and involves the following steps:

- We conduct an extensive operational audit to understand the customer's business processes across multiple departments, existing ERP and outsourced applications, future plans, procurement approval processes and business rules and internal control structure.

- We design a customized procurement, management and service program to fit the customer's organizational needs.

- We implement an Internet-based supply chain management system which can include: customer workflow processes and business rules using our graphical route-builder, custom catalogs linking to chosen vendors, including *e*Plus, custom reporting and querying, and data capture parameters for the Manag*e*+ asset repository.

- We test the site and train the customer's personnel.

We provide *e*PlusSuite as a service solution to our customers, and the ongoing support of the customer and our commitment to the highest possible customer satisfaction is fundamental to our strategy. We use a team approach to providing customer care and assign each customer to a specific team so that they are able to continue to interact with the same *e*Plus personnel who have experience and expertise with the customer's specific business processes and requirements.

TECHNOLOGY

General Our Procur*e*+ and Manag*e*+ applications are fully standards-based, designed for the Internet and built upon an underlying architecture that is based on the Microsoft and Sybase distributed Internet application frameworks. These frameworks provide access security, load balancing, resource pooling, message queuing, distributed transaction processing and reusable components and services. We may use XML software to enhance the business-to-business transfer of data and documents between multiple systems. Our development strategy relies on object-oriented programming and stresses modularity, inheritance and reuse when feasible.

Our applications are designed to be scalable, due to our multi-tiered architecture employing thin client, multi-threaded application servers and relational databases. We use standard software programming languages, packages and protocols, including Visual Basic, PowerBuilder, PowerDynamo, JavaScript, ASP, C++, HTTP, DCOM, CORBA, Native and OBDC Data constructs. Our applications are provided to our customers over any standard Internet browser without the need to download applets or executables.

We use a component-based application infrastructure composed of readily-configurable business rules, a workflow engine, advanced data management capabilities and an electronic cataloging system. Each of these core elements plays a crucial role in deploying enterprise-wide solutions that can capture a customer's unique policies and processes and manage key business functions.

Business Rules Our business rules engine allows Procur*e*+ to be configured so that our customers can effectively enforce their requisition approval policies while providing flexibility so that the business rules can be edited and modified as our customer's policies change. Users of the system are presented with appropriate guidance to facilitate adherence to corporate policies. The business rules dramatically reduce reworking of procedures, track and resolve policy exceptions online and eliminate re-keying of data into back-end systems. The business rules permit management by exception, in which items requiring managerial attention are automatically routed.

Workflow Engine Our workflow engine allows information to flow through the customer organization in a timely, secure and efficient manner. For example, in addition to incorporating policy-based business rules, it incorporates time-based standards to reroute purchase requisitions if the original recipient does not respond within the allocated performance time frame. Our application also provides e-mail notification to users of the status of a procedure or of events requiring attention, alteration and action, such as notifying the creator of a purchase requisition of its location in the purchasing cycle or notifying a manager of a requisition requiring attention.

Content Management Our electronic catalog allows multiple vendor information to be linked to customized customer catalogs. Information can be updated when required by the customer. Our electronic cataloging system accepts XML, EDI and other industry data standards for information transfer.

Asset Management Manag*e*+ is based upon an RDBMS (relational database management system) that is designed to be scalable and can be easily customized to provide customer-specific fields and data elements. New functionality can be assigned to existing controls, or new controls, with little application modification and minimal programming.

*e*PlusSuite can integrate with external systems such as ERP systems, financial management systems, human resource systems (for user information and organizational structure) and project accounting systems. These interfaces allow for the exhange of data between *e*PlusSuite and other enterprise systems. These integration processes can be scheduled according to our customer's information services and finance departments.

Data Accuracy Data input from internal departments is quality controlled within the entering department before it is released for use to other functions. Customer input is quality controlled before it is released for use to other functions.

System Security Our design allows for multiple layers of security through the use of defined users and roles, secured logins, digital certificates and encryption. We currently use security software to protect our internal network systems from unauthorized access. Our firewall is a comprehensive, security suite providing access control, authentication, network address translation, auditing and state table synchronization.

RESEARCH AND DEVELOPMENT

To date, the majority of our software development has been outsourced to third-party software companies. We have obtained perpetual license rights and source code from these third-party software companies. Subject to certain exceptions, we generally retain the source code and intellectual property rights of the customized software. To accelerate the development of our *e*PlusSuite, we have built an internal software development team and are expanding upon it as dictated by business needs.

To successfully implement our business strategy, we have to provide hosted software functionality and related services that meet the demands of our customers and prospective customers. We expect that competitive factors will create a continuing need for us to improve and add to our *e*PlusSuite. The addition of new products and services will also require that we continue to improve the technology underlying our applications. We intend to maintain our competitive advantage by investing significantly greater resources in our internal development efforts, including adding a significant number of in-house software engineers, and executives. In addition, to complement our in-house development efforts, we expect significant future expenditures on software licenses and third-party software development and consulting costs.

SALES AND MARKETING

We focus our marketing efforts on achieving brand recognition, market awareness, lead generation, and converting our existing customer base to our *e*PlusSuite solution. The target market for our *e*PlusSuite is primarily middle market companies with revenues between $25 million and $1 billion. We believe there are over 60,000 customers in our target market. Our sales representatives are paid on commission, with specific incentives for generating new *e*PlusSuite customers and revenues.

We typically market to the senior financial officer or the senior information officer in an organization. To date, the majority of our customers have been generated from direct sales. As part of our strategy to grow our electronic commerce business, we intend to hire additional sales personnel and open new sales locations. In the future, we plan to conduct public relations campaigns to create brand and market awareness of product benefits, developments and major initiatives. We anticipate that these will include advertising in business and financial publications, Internet advertising, trade shows, seminars, and direct mail. We also intend to develop strategic relationships to expand market acceptance of our electronic commerce business solutions. We recently entered into joint marketing arrangements with PSINet, Inc. and with the finance subsidiaries of Chase Manhattan, Inc. and Wachovia Corporation. We believe these strategic relationships can be a potential substantial source of growth.

Our sales force is organized under three regional directors located in our headquarters in Herndon, Virginia and our Pottstown, Pennsylvania and Raleigh, North Carolina regional operating centers. We have sales locations in: Herndon, Virginia; Dallas, Texas; San Diego and Sacramento, California; Golden, Colorado; Greenville, Wilmington, Charlotte and Raleigh, North Carolina; and Pottstown and West Chester, Pennsylvania. As of June 17, 2000 our sales organization included 92 total direct sales and sales support personnel.

INTELLECTUAL PROPERTY RIGHTS

Our success depends in part upon proprietary business methodologies, and technologies which we have licensed and modified. We have entered into software licensing agreements in connection with the development of *e*PlusSuite. These agreements grant us a perpetual license to the source code or gives us the right to obtain such a license upon payment of an additional fee. Each of these licenses is nonexclusive. The agreements permit us to modify the software source code in conjunction with normal use or upon payment of an additional fee. Generally, the agreements provide that any software developed to interface with licensed software is our property if such work is based on our proprietary information. The licensing agreements provide the payment of initial and ongoing fees. In addition, certain of our licensing agreements provide for additional fees based on transaction volume. If we commit a material breach of any one of the agreements, it may be terminated. These agreements do not provide any indemnification for intellectual property infringement. We rely on a combination of copyright, service mark and trade secret protection, confidentiality and nondisclosure agreements and licensing arrangements to establish and protect intellectual property rights. We seek to protect our software, documentation and other written materials under trade secret and copyright laws, which afford only limited protection.

We currently have no patents, although we have filed applications in the U.S. Patent and Trademark Office to register the service marks *e*Plus, *e*PlusSuite, Procur*e*+, Manag*e*+, Financ*e*+, Servic*e*+, *e*Plus LEASING, *e*Plus

ONLINE and *e*Plus ADVANTAGE. The applications for *e*Plus LEASING, *e*Plus ONLINE and *e*Plus ADVANTAGE are currently based on intent-to-use. The grant of registrations for these intent-to-use marks is conditioned upon each mark being used in commerce, assuming the mark is found to be allowable. We also may file provisional patent applications with the U.S. Patent and Trademark Office relating to various features and processes embodied in our applications. A provisional patent application is a type of application under which a patent will not be issued, but which provides a priority date for a regular patent application that is filed within a one year period following the filing of the provisional patent application. We cannot assure you that any regular patents will be filed based on our provisional applications, or that any patents will issue on our pending provisional applications from any such regular applications. Further, we cannot provide any assurance that any patents, if issued, will prevent the development of competitive products or that our patents will not be successfully challenged by others or invalidated through administrative process or litigation.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult, and while we are unable to determine the extent to which piracy of our software products exists, software piracy can be expected to be a persistent problem. Our means of protecting our proprietary rights may not be adequate and our competitors may independently develop similar technology, duplicate our products or design around our proprietary intellectual property.

FINANCING AND SALES ACTIVITIES

We have been in the business of selling, leasing, financing, and managing information technology and other assets for nearly ten years and currently derive the majority of our revenues from such activities. Over time, we plan to use our *e*PlusSuite platform to facilitate sales and financing transactions between our customers and third parties rather than originate these transactions as principal. We believe we can develop formal contractual arrangements with our current as well as new financing sources to provide equipment financing and leasing for our *e*PlusSuite customers.

Leasing and Financing Our leasing and financing transactions generally fall into two categories, direct financing, and operating leases. Direct financing transfers substantially all of the benefits and risks of equipment ownership to the customer. Operating leases consist of all other leases that do not meet the criteria to be direct financing or sales-type leases. Our lease transactions include true leases and installment sales or conditional sales contracts with corporations, not-for-profit entities and municipal and federal government contracts. Substantially all of our lease transactions are net leases with a specified non-cancelable lease term. These non-cancelable leases have a provision which requires the lessee to make all lease payments regardless of any lessee dissatisfaction with its equipment. A net lease requires the lessee to make the full lease payment and pay any other expenses associated with the use of equipment, such as maintenance, casualty and liability insurance, sales or use taxes and personal property taxes.

In anticipation of the expiration of the initial term of a lease, we initiate the remarketing process for the related equipment. Our goal is to maximize revenues on the remarketing effort by either: (1) releasing or selling the equipment to the initial lessee; (2) renting the equipment to the initial lessee on a month-to-month basis; (3) selling or leasing the equipment to a different customer; or (4) selling the equipment to equipment brokers or dealers. The remarketing process is intended to enable us to recover or exceed the residual value of the leased equipment. Any amounts received over the estimated residual value less any commission expenses becomes profit margin to us and can significantly impact the degree of profitability of a lease transaction.

We aggressively manage the remarketing process of our leases to maximize the residual values of our leased equipment portfolio. To date, we have realized a premium over our original booked residual assumption. The majority of these gains are attributable to early termination fees as a direct result of our remarketing strategy.

Sales We have been providing technology sales and services since 1997. We are an authorized reseller or have the right to resell products and services from over 150 manufacturers, distributors, resellers, content management solution providers and sourcing organizations. Our largest vendor relationships include Ingram Micro, Inc., Dell Computer Corporation, Microsoft Corporation, and Sun Microsystems, Inc. We expect the number of vendor relationships to grow significantly as we expand Procur*e*+ beyond its traditional information technology and telecommunications products. Our flexible platform and customizable catalogs facilitate the addition of new vendors with little incremental effort. Our value added reseller product transactions have varying sales on account terms from net 45 days to collect on delivery, depending on the customer's credit and payment term requirements.

Financing and Bank Relationships We have a number of bank and finance company relationships which we use to provide working capital for all of our businesses and long term financing for our lease financing businesses. Our finance department is responsible for maintaining and developing relationships with a diversified pool of regional commercial banks, money-center banks, finance companies, insurance companies and financial intermediaries with varying terms and conditions. See "Item 7, Management's Discussion and Analysis of Results of Operations, Financial Condition, Liquidity and Capital Resources."

Risk Management and Process Controls It is our goal to minimize our on-balance sheet financial asset risk. To accomplish this goal we use and maintain conservative underwriting policies and disciplined credit approval processes. We also have strong internal control processes, including contract origination and management, cash management, servicing, collections, remarketing and accounting. Whenever possible, we use non-recourse financing for which we try to obtain lender commitments before asset origination. We have over 35 non-recourse financing sources that we use regularly, including GE Capital Corporation, Key Corporate Capital, Inc., Fleet Business Credit Corporation, Citizens Banking Corporation and BancOne Leasing Corporation.

Whenever possible and desirable we sell assets, including the residual portion of leases, to third-parties rather than maintaining them on our balance sheet. We try to obtain commitments for these asset sales before asset origination in a financing transaction. We have sold assets to GE Capital Corporation, Firstar Equipment Finance Company, Fleet Business Credit Corporation, and John Hancock Leasing Corp., among others. We also use agency purchase orders to procure equipment as an agent, not a principal, and otherwise take measures to minimize our inventory. Additionally, we use match funding to reduce interest rate risk and issue proposals that adjust for material adverse interest rate movements as well as material adverse changes to the financial condition of the customer.

We have an executive management review process and other internal controls in place to protect against entering into lease transactions that may have undesirable financial terms or unacceptable levels of risk. Our leases and sales contracts are reviewed by senior management for pricing, structure, documentation and credit quality. Due in part to our strategy of focusing on a few equipment categories, we have extensive product knowledge, historical re-marketing information and experience on the products we lease, sell and service. We rely on our experience in setting and adjusting our sale prices, lease rate factors and the residual values.

Default and Loss Experience During the fiscal year ended March 31, 2000 we reserved for $732,839 in credit losses and incurred actual credit losses of $529,031. During the fiscal year ended March 31, 1999, we reserved for $810,565 in credit losses and incurred actual credit losses of $12,452. Until the fiscal year ended March 31, 1998, when we incurred a $17,350 credit loss, we had not taken any write-offs due to credit losses with respect to lease transactions since our inception.

During the quarter ended December 31, 1999, a customer of CLG, Inc., which we recently acquired, filed for voluntary bankruptcy protection. During our due diligence process prior to the acquisition, we had identified the customer, Tultex, as well as several other potential problem credits, and we required Centura Bank, the seller of CLG, Inc., to provide financing on a non-recourse basis for a portfolio of identified bad credit customers. The interest costs and principal for this non-recourse debt is paid solely from amounts collected from customers, and the only costs to us are the costs of collection and managing the accounts. Therefore, should these accounts need to be written-off, there would be a corresponding write-off of the underlying non-recourse debt and there would be no loss of income to us. The book value of Tultex is less than $52,000, and the total non-recourse debt associated with these identified potential bad credits is approximately $1,608,000.

During the fiscal year ended March 31, 1999, two customers filed for voluntary bankruptcy protection. The largest was Allegheny Health, Education & Research Foundation, or AHERF, which was a Pittsburgh based not-for-profit hospital entity. As of March 31, 2000, our net book value of leases to AHERF was approximately $415,000 and receivable balance was approximately $478,000. We will probably sustain a loss, and have accordingly provided for such loss in the statement of earnings for the year ended March 31, 1999. The undetermined status of our claims in the bankruptcy court and amount and timing of such loss cannot be accurately estimated at this time due to the size and nature of this bankruptcy. During the quarter ended December 31, 1998, PHP Healthcare, Inc. a lessee of ours, was placed in receivership by the New Jersey Insurance Commission which led to them filing for voluntary bankruptcy protection. As of March 31, 2000, we have a net book value of assets totaling approximately $421,000 at risk with this lessee. We believe that as of March 31, 2000, our reserves are adequate to provide for the potential losses resulting from these customers.

COMPETITION

The market for our electronic commerce products is intensely competitive, subject to rapid change and significantly affected by new product introductions and other market activities of industry participants. Our primary source of direct competition comes from independent software vendors of procurement applications. We also face indirect competition from potential customers' internal development efforts and have to overcome potential customers' reluctance to move away from existing legacy systems and processes.

Our current and potential competitors in the electronic commerce market include, among others, Ariba, Inc., Commerce One, Inc., Comdisco, Inc., Clarus Corporation, Concur Technologies, Inc., Connect, Inc., Harbinger Corporation, i2 Technologies, International Business Machines Corporation, Intellisys Group, Inc., Microsoft Corporation, Netscape Communications Corporation, Oracle Corporation, PeopleSoft, Inc. and SAP Corporation Systems. In addition, there are a number of companies developing and marketing business-to-business electronic commerce solutions targeted at specific vertical markets. Some of these competitors offer Internet-based solutions that are designed to enable an enterprise to buy more effectively from its suppliers. Other competitors are also attempting to migrate their technologies to an Internet-enabled platform. Some of these competitors and potential competitors include ERP vendors, that are expected to sell their procurement products along with their application suites. These ERP vendors have a significant installed customer base and have the opportunity to offer additional products to those customers as additional components of their respective application suites.

We believe that the principal competitive factors for business-to-business electronic commerce solutions are scalability, functionality, ease-of-use, ease-of-implementation, ability to integrate with existing legacy systems, experience in business-to-business supply chain management and knowledge of a business' asset management needs. We believe we compete favorably with our competitors in these areas.

In addition, we expect to continue to compete in the information technology and telecommunications equipment leasing and financing market. We compete directly with various leasing companies such as Comdisco, Inc. and GE Capital Corporation as well as captive finance companies such as IBM Credit Corporation. Many of these competitors are well established, have substantially greater financial, marketing, technical and sales support than we do and have established reputations for success in the purchase, sale and lease of computer-related products. In addition, many computer manufacturers may sell or lease directly to our customers, and our continued ability to compete effectively may be affected by the policies of such manufacturers.

EMPLOYEES

As of March 31, 2000 we employed 365 full-time and part-time employees who operated through 11 locations, including our principal executive offices and regional sales offices. No employees are represented by a labor union and we believe our relationships with our employees are good. The functional areas of our employes are as follows:

AREA	NUMBER OF EMPLOYEES
Sales and Marketing	92
Technical Support	136
Contractual	43
Accounting and Finance	41
Administration	43
Executive	10

ITEM 2. PROPERTIES

The Company has eleven offices and one remote warehouse site with approximately 66,605 square feet under lease at a monthly rental of $82,828. We do not own any real estate.

LOCATION	COMPANY	NUMBER OF EMPLOYEES	SQUARE FOOTAGE	FUNCTION
Herndon, VA	*e*Plus Group	110	11,453	Corporate headquarters and sales
Sacramento, CA	*e*Plus Group	2	954	Sales
San Diego, CA	*e*Plus Group	4	800	Sales
Golden, CO	*e*Plus Group	1	150	Sales
Raleigh, NC	*e*Plus Group	22	8,000	Sales
West Chester, PA	*e*Plus Group	3	635	Sales
Dallas, TX	*e*Plus Group	1	943	Sales
Charlotte, NC	*e*Plus Group	1	1,230	Sales
Wilmington, NC	*e*PlusTechnology of NC, inc.	41	4,460	Subsidiary headquarters, sales office and warehouse
Greenville, NC	*e*PlusTechnology of NC, inc.	22	6,119	Sales office and warehouse
Pottstown, PA	*e*PlusTechnology of PA, inc.	70	17,000	Subsidiary headquarters, sales office and warehouse
Herndon, VA	*e*PlusTechnology	75	13,245	Storage warehouse
Herndon, VA	*e*PlusTechnology	2	1,616	Storage warehouse
Lenexa, Kansas	*e*PlusTechnology	11	None	Provided site by customer for technical personnel

*e*Plus inc., *e*Plus Group, inc. and *e*Plus Technology, inc. share space in the same building. All the above locations are leased facilities. The two largest locations are Herndon, VA and Pottstown, PA which have lease expiration dates of March 31, 2001 and June 30, 2005, respectively.

The Company also has an arrangement with an independent contractor who works primarily for the Company from Minneapolis, Minnesota.

ITEM 3. LEGAL PROCEEDINGS

The Company is not aware of any pending or threatened legal proceedings that would have a material adverse effect upon the Company's business, financial condition, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

The Company's Common Stock has traded on the Nasdaq National Market since November 20, 1996 under the symbol "MLCH." Since November 1, 1999, the Company's Common Stock has traded on the Nasdaq National Market under the symbol "PLUS." The following tables sets forth the range of high and low sale prices for the Common Stock for the period April 1, 1998 through March 31, 2000, by quarter.

QUARTER ENDED	HIGH	LOW
June 30, 1998	$ 15.75	$ 12.75
September 30,1998	14.50	7.25
December 31, 1998	10.25	6.23
March 31, 1999	9.25	8.25
June 30, 1999	9.50	7.50
September 30, 1999	11.25	7.00
December 31, 1999	46.00	8.75
March 31, 2000	74.63	27.13

On June 19, 2000 the closing price of the Common Stock was $24.84 per share. On June 19, 2000, there were 155 shareholders of record of our common stock. We believe there are over 400 beneficial holders of the Company's Common Stock.

DIVIDENDS

The Company has never paid a cash dividend to stockholders. We have retained our earnings for use in the business. There is also a contractual restriction in our ability to be able to pay dividends. Our First Union Facility restricts dividends to 50% of net income accumulated after September 30, 1998. Therefore, the payment of cash dividends on the Common Stock is unlikely in the foreseeable future. Any future determination concerning the payment of dividends will depend upon the elimination of this restriction and the absence of similar restrictions in other agreements, our financial condition, results of operations and any other factors deemed relevant by our Board of Directors.

RECENT SALES OF UNREGISTERED SECURITIES

On September 30, 1999, the Company acquired all of the outstanding stock of CLG, Inc., a wholly owned subsidiary of Centura Bank. Total consideration for the acquisition was $36.5 million, including $29.5 million in cash, a subordinated note in the amount of $3.1 million and 392,990 shares of the Company's Common Stock.

On April 11, 2000, the Company issued to TC Plus, LLC 709,956 shares of Common Stock upon the cashless exercise by TC Plus, LLC of a stock purchase warrant for 1,090,909 shares, with an exercise price of $11.00 per share. The cashless exercise was made based on the closing price of the Company's Common Stock on April 11, 2000.

The issuances of securities described above were made in reliance on exemptions from registration provided by Section 4(2) or Regulation D of the Securities Act of 1933, as amended, as issuances by the issuer not involving a public offering. The entities receiving securities from us in the transactions described above represented their intention to acquire the securities for investment only and not with a view to or for distribution in connection with such transactions and appropriate legends were affixed to the share certificates issued in such transactions. All recipients had adequate access to information about the Company, through their relationships with the Company or through information about the Company made available to them.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below should be read in conjunction with the Consolidated Financial Statements of the Company and related Notes thereto and the information included under "Item 7, Management's Discussion and Analysis of Results of Operations, Financial Condition, Liquidity and Capital Resources - As of and For the Years Ended March 31, 1998, 1999 and 2000" and "Item 1, Business."

	Year Ended March 31,				
	1996	1997	1998	1999	2000
	(Dollar amounts in thousands)				
STATEMENT OF EARNINGS					
Revenue:					
Sales of equipment	$47,591	$52,167	$47,419	$83,516	$166,252
Sales of leased equipment	16,318	21,634	50,362	84,379	57,360
Lease revenues	5,928	9,909	14,882	20,611	31,374
Fee and other income	1,877	2,503	5,779	5,464	8,371
*e*PlusSuite revenues	-	-	-	-	1,376
Total revenues	71,714	86,213	118,442	193,970	264,733
Cost and Expenses:					
Cost of sales of equipment	38,782	42,180	37,423	71,367	147,209
Cost of sales of leased equipment	15,522	21,667	49,669	83,269	55,454
Direct lease costs	2,697	4,761	5,409	6,184	8,025
Professional and other costs	709	577	1,073	1,222	2,126
Salaries and benefits	6,682	8,241	10,357	11,880	19,189
General and administrative expenses	2,040	2,286	3,694	5,152	7,090
Interest and financing costs	1,702	1,649	1,837	3,601	11,390
Nonrecurring acquisition costs	-	-	250	-	-
Total costs and expenses	68,134	81,361	109,712	182,675	250,483
Earnings before provision for income taxes and extraordinary item	3,580	4,852	8,730	11,295	14,250
Provision for income taxes	881	1,360	2,691	4,579	5,875
Net earnings before extraordinary item	2,699	3,492	6,039	6,716	8,375
Extraordinary gain (1)	117	-	-	-	-
Net earnings	$2,816	$3,492	$6,039	$6,716	$8,375
Net earnings per common share, before extraordinary item	0.59	0.67	1.00	0.99	1.09
Extraordinary gain per common share	0.03	-	-	-	-
Net earnings per common share - Basic	$ 0.62	$ 0.67	$ 1.00	$ 0.99	$ 1.09
Pro forma net earnings (2)	$2,389	$ 3,133	$5,426	$6,716	$8,375
Pro forma net earnings per common share - Basic	$ 0.52	$ 0.60	$ 0.90	$ 0.99	$ 1.09
Weighted average shares outstanding - Basic	4,572,635	5,184,261	6,031,085	6,769,732	7,698,287

(1) The extraordinary gain in fiscal 1996 was the result of an insurance settlement for a fire at a subsidiary of the Company.

(2) Pro forma net earnings as if companies which were subchapter S corporations prior to their business combination with the Company, which were accounted for under the pooling of interests method, had been subject to federal income tax throughout the periods presented.

	As of March 31,				
	1996	1997	1998	1999	2000
	(Dollar amounts in thousands, except per share data)				
BALANCE SHEETS					
Assets:					
Cash and cash equivalents	$651	$6,654	$18,684	$7,892	$21,910
Accounts receivable	4,526	8,846	16,383	44,090	60,167
Notes receivable	92	2,154	3,802	547	1,195
Inventories	965	1,278	1,214	658	2,445
Investment in direct financing and sales type leases, net	16,273	17,473	32,496	83,371	221,885
Investment in operating lease equipment, net	10,220	11,065	7,296	3,530	10,114
Other assets	1,935	741	2,137	12,357	24,628
All other assets	522	813	1,184	1,914	2,991
Total assets	$35,184	$49,024	$83,196	$154,359	$345,335
Liabilities:					
Accounts payable - equipment	$4,973	$4,946	$21,284	$18,049	$22,976
Accounts payable - trade	2,215	3,007	6,865	12,518	29,452
Salaries and commissions payable	153	672	390	536	957
Recourse notes payable	2,106	439	13,037	19,081	39,017
Nonrecourse notes payable	18,352	19,705	13,028	52,429	182,845
All other liabilities	2,153	3,778	5 ,048	7,932	12,967
Total liabilities	29,952	32,547	59,652	110,545	288,214
Stockholders' equity	5,232	16,477	23,544	43,814	57,121
Total liabilities and stockholders' equity	$35,184	$49,024	$83,196	$154,359	$345,335

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS, FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES AS OF AND FOR THE YEARS ENDED MARCH 31, 1998, 1999 AND 2000

The following discussion and analysis of results of operations and financial condition of the Company should be read in conjunction with the Consolidated Financial Statements and the related Notes included elsewhere in this report.

Certain statements contained herein are not based on historical fact, but are forward-looking statements that are based upon numerous assumptions about future conditions that may not occur. Actual events, transactions and results may materially differ from the anticipated events, transactions, or results described in such statements. Our ability to consummate such transactions and achieve such events or results is subject to certain risks and uncertainties. Such risks and uncertainties include, but are not limited to, the existence of demand for and acceptance of the Company's services, economic conditions, the impact of competition and pricing, results of financing efforts and other factors affecting the Company's business that are beyond our control. The Company undertakes no obligation and does not intend to update, revise or otherwise publicly release the result of any revisions to these forward-looking statements that may be made to reflect future events or circumstances.

Our results of operations are susceptible to fluctuations for a number of reasons, including, without limitation, customer demand for our products and services, supplier costs, interest rate fluctuations and differences between estimated residual values and actual amounts realized related to the equipment we lease. Operating results could also fluctuate as a result of the sale of equipment in our lease portfolio prior to the expiration of the lease term to the lessee or to a third party. Such sales of leased equipment prior to the expiration of the lease term may have the effect of increasing revenues and net earnings during the period in which the sale occurs, and reducing revenues and net earnings otherwise expected in subsequent periods.

In November 1999, we introduced *e*PlusSuite, a comprehensive business-to-business electronic commerce supply chain management solution for information technology and other operating resources. We currently derive the majority of our revenue from sales and financing of information technology and other assets. The introduction of *e*PlusSuite reflects our transition to a business-to-business electronic commerce solutions provider from our historical sales and financing business. Our strategy is to reduce or eliminate our balance sheet risk over time by outsourcing lease and other financing to third-party financial institutions, while charging a transaction fee and arranging the sales of information technology and other assets for a transaction fee, rather than purchasing and reselling such assets ourselves.

We expect our electronic commerce revenues to be derived primarily from (1) amounts charged to customers with respect to procurement activity executed through Procur*e*+, (2) fees from third-party financing sources that provide leasing and other financing for transactions that we arrange through Procur*e*+ on behalf of our customers, (3) fees from third-party vendors for sales in transactions that we arrange through Procur*e*+ on behalf of our customers and (4) amounts charged to customers for the Manag*e*+ service. We expect to generate increased revenues from our electronic commerce business unit, while revenues from our leasing and sales business may decrease over time. Because sale revenues of leased and other equipment include the full purchase price of the item sold, total revenues may decline to the extent leasing and sales revenues begin to represent a smaller portion of our total revenues. However, in the near term, as we seek to implement our electronic commerce business strategy, we will continue to derive most of our revenues from our traditional businesses.

We expect to incur substantial increases in the near term in our sales and marketing, research and development, and general and administrative expenses. In particular, we expect to significantly expand the marketing of our electronic commerce business solution and increase spending on advertising and marketing. To implement this strategy, we plan to hire additional sales personnel, open new sales locations and hire additional staff for advertising, marketing and public relations. We also plan to hire additional technical personnel and third parties to assist in the implementation and upgrade of *e*PlusSuite and to develop complementary electronic commerce business solutions. As a result of these increases in expenses, we expect to incur significant losses in our *e*PlusSuite business which may, in the near term, have a material adverse effect on operating results for the Company as a whole.

To the extent the Company successfully implements this strategy, it expects the business to become less capital intensive over time. As a result, management expects total assets and total liabilities will decrease. The Company expects to significantly reduce its receivables and lease assets along with the associated liabilities including debt and equipment payables.

The Company has added new classifications to its financial statement presentation in order to reflect the changes in its business. A line item, *e*PlusSuite revenues, has been added to the statement of earnings which includes the revenues associated with the e-commerce business unit. A new business segment, e-commerce, has been added for segment reporting purposes to present separately e-commerce business unit revenues.

As a result of the foregoing, the Company's historical results of operations and financial position may not be indicative of its future performance over time. However, the Company's results of operations and financial position will continue to primarily reflect its traditional sales and financing businesses for at least the next twelve months.

SELECTED ACCOUNTING POLICIES

Amounts charged for the e-commerce business unit's Procur*e*+ service are recognized as services are rendered. Amounts charged for the Manag*e*+ service will be recognized on a straight line basis over the period the services are to be provided.

The manner in which lease finance transactions are characterized and reported for accounting purposes has a major impact upon reported revenue and net earnings. Lease accounting methods significant to our business are discussed below.

We classify our lease transactions, as required by the Statement of Financial Accounting Standards No. 13, Accounting for Leases, or FASB No. 13, as: (1) direct financing; (2) sales-type; or (3) operating leases. Revenues and expenses between accounting periods for each lease term will vary depending upon the lease classification.

For financial statement purposes, we present revenue from all three classifications in lease revenues, and costs related to these leases in direct lease costs.

Direct Financing and Sales-Type Leases Direct financing and sales-type leases transfer substantially all benefits and risks of equipment ownership to the customer. A lease is a direct financing or sales-type lease if the creditworthiness of the customer and the collectability of lease payments are reasonably certain and it meets one of the following criteria: (1) the lease transfers ownership of the equipment to the customer by the end of the lease term; (2) the lease contains a bargain purchase option; (3) the lease term at inception is at least 75% of the estimated economic life of the leased equipment; or (4) the present value of the minimum lease payments is at least 90% of the fair market value of the leased equipment at the inception of the lease.

Direct finance leases are recorded as investment in direct financing leases upon acceptance of the equipment by the customer. At the lease's inception, unearned lease income is recorded which represents the amount by which the gross lease payments receivable plus the estimated residual value of the equipment exceeds the equipment cost. Unearned lease income is recognized, using the interest method, as lease revenue over the lease term.

Sales-type leases include a dealer profit or loss which is recorded by the lessor at the inception of the lease. The dealer's profit or loss represents the difference, at the inception of the lease, between the fair value of the leased property and its cost or carrying amount. The equipment subject to such leases may be obtained in the secondary marketplace, but most frequently is the result of re-leasing our own portfolio. This profit or loss which is recognized at lease inception, is included in net margin on sales-type leases. For equipment sold through our technology business unit subsidiaries, the dealer margin is presented in equipment sales revenue and cost of equipment sales. Interest earned on the present value of the lease payments and residual value is recognized over the lease term using the interest method and is included as part of our lease revenues.

Operating Leases All leases that do not meet the criteria to be classified as direct financing or sales-type leases are accounted for as operating leases. Rental amounts are accrued on a straight-line basis over the lease term and are recognized as lease revenue. Our cost of the leased equipment is recorded on the balance sheet as investment in operating lease equipment and is depreciated on a straight-line basis over the lease term to our estimate of residual value. Revenue, depreciation expense and the resulting profit for operating leases are recorded on a straight-line basis over the life of the lease.

As a result of these three classifications of leases for accounting purposes, the revenues resulting from the "mix" of lease classifications during an accounting period will affect the profit margin percentage for such period and such profit margin percentage generally increases as revenues from direct financing and sales-type leases increase. Should a lease be financed, the interest expense declines over the term of the financing as the principal is reduced.

Residual Values Residual values represent our estimated value of the equipment at the end of the initial lease term. The residual values for direct financing and sales-type leases are recorded in investment in direct financing and sales-type leases, on a net present value basis. The residual values for operating leases are included in the leased equipment's net book value and are recorded in investment in operating lease equipment. The estimated residual values will vary, both in amount and as a percentage of the original equipment cost, and depend upon several factors, including the equipment type, manufacturer's discount, market conditions and the term of the lease.

We evaluate residual values on an ongoing basis and record any required changes in accordance with FASB No. 13. Residual values are affected by equipment supply and demand and by new product announcements and price changes by manufacturers. In accordance with generally accepted accounting principles, residual value estimates are adjusted downward when such assets are impaired.

We seek to realize the estimated residual value at lease termination through: (1) renewal or extension of the original lease; (2) sale of the equipment either to the lessee or the secondary market; or (3) lease of the equipment to a new user. The difference between the proceeds of a sale and the remaining estimated residual value is recorded as a gain or loss in lease revenues when title is transferred to the lessee, or, if the equipment is sold on the secondary market, in equipment sales revenues and cost of equipment sales when title is transferred to the buyer. The proceeds from any subsequent lease are accounted for as lease revenues at the time such transaction is entered into.

INITIAL DIRECT COSTS Initial direct costs related to the origination of direct financing, sales-type or operating leases are capitalized and recorded as part of the net investment in direct financing leases, or net operating lease equipment, and are amortized over the lease term.

SALES Sales revenue includes the following types of transactions: (1) sales of new or used equipment which is not subject to any lease type; (2) sales of equipment subject to an existing lease, under which we are lessor, including any underlying financing related to the lease; and (3) sales of off-lease equipment to the secondary market.

OTHER SOURCES OF REVENUE Amounts charged for the electronic commerce business unit's Procur*e*+ service are recognized as services are rendered. Amounts charged for the Manag*e*+ service will be recognized on a straight line basis over the period the services are provided. These revenues are included in our ePlusSuite revenues in our statement of earnings.

Fee and other income results from (1) income from events that occur after the initial sale of a financial asset such as escrow/prepayment income, (2) re-marketing fees, (3) brokerage fees earned for the placement of financing transactions and (4) interest and other miscellaneous income. These revenues are included in fee and other income in our statements of earnings.

RESULTS OF OPERATIONS

THE YEAR ENDED MARCH 31, 2000 COMPARED TO THE YEAR ENDED MARCH 31, 1999

Total revenues generated by the Company during the year ended March 31, 2000 were $264.7 million compared to revenues of $194.0 million for the year ended March 31, 1999, an increase of 36.5%. This increase is primarily attributable to an increase in equipment sales. The increase in total revenues for the year ended March 31, 2000, without the inclusion of the operations of CLG, Inc., would have been 31.1%. The Company's revenues are composed of sales and other revenue, and may vary considerably from period to period.

Sales revenue, which includes sales of equipment and sales of leased equipment, increased 33.2% to $223.6 million during the year ended March 31, 2000, as compared to $167.9 million in the prior fiscal year.

The majority of equipment sales are generated through the Company's technology business unit subsidiaries. Sales of used and/or off-lease equipment are also generated from the Company's brokerage and re-marketing activities. For the year ended March 31, 2000, equipment sales through the Company's technology business unit subsidiaries accounted for 98.1% of sales of equipment, with the remainder being sales from brokerage and re-marketing activities. Sales of equipment increased significantly during the year ended March 31, 2000, primarily a result of increased technology sales through the Company's subsidiaries. For the year ended March 31, 2000, equipment sales increased 99.1% to $166.3 million. The acquisition of CLG, Inc. in September, 1999, did not materially contribute to the increase in equipment sales for the periods presented.

The Company realized a gross margin on sales of equipment of 11.5% for the year ended March 31, 2000, as compared to a gross margin of 14.5% realized on sales of equipment generated during the year ended March 31, 1999. This decrease in net margin percentage can be primarily attributed to increased sales to larger volume customers who are more price competitive. The Company's gross margin on sales of equipment may be affected by the mix and volume of products sold.

The Company also recognizes revenue from the sale of leased equipment. During the year ended March 31, 2000 compared to the prior fiscal year, sales of leased equipment decreased 32% to $57.4 million. The revenue and gross margin recognized on sales of leased equipment can vary significantly depending on the nature and timing of the sale, as well as the timing of any debt funding recognized in accordance with SFAS No. 125. The decrease in sales of leased equipment can be primarily attributed to the decline in the volume of leases sold to MLC/CLC, LLC, a joint venture in which the Company owns a 5% interest. During the years ended March 31, 2000 and 1999, sales to MLC/CLC, LLC, accounted for 50% and 96.1% of sales of leased equipment, respectively. Sales to the joint venture require the consent of the joint venture partner. Firstar Equipment Finance Corporation, which owns 95% of MLC/CLC, LLC, discontinued their continued investment in new lease acquisitions effective May, 2000. The Company has developed and will continue to develop relationships with additional lease equity investors and financial intermediaries to diversify its sources of equity financing.

During the year ended March 31, 2000, the Company recognized a gross margin of 3.3% on leased equipment sales of $57.4 million as compared to a gross margin of 1.3% on leased equipment sales of $84.4 million during the prior fiscal year. The increase in gross margin is due primarily to increased origination fees charged to the equity purchasers of leased equipment.

The Company's lease revenues increased 52.2% to $31.4 million for the year ended March 31, 2000, compared with the prior fiscal year. This increase consists of increased lease earnings and rental revenues reflecting a higher average investment in direct financing and sales-type leases. The investment in direct financing and sales-type leases at March 31, 2000 and March 31, 1999 were $221.9 million and $83.4 million, respectively. The March 31, 2000 balance represents an increase of $138.5 million or 166.1% over the balance as of March 31, 1999. The increase in the net investment in direct financing and sales-type leases, as well as the corresponding lease revenues, was due in large part to the acquisition of CLG, Inc. The increases in lease revenues for the year ended March 31, 2000, without the operations of CLG, Inc., would have been 14.5%.

For the year ended March 31, 2000, fee and other income increased 53.2% over the prior fiscal year. This increase is attributable to increases in revenues from adjunct services and fees, including broker fees, support fees, warranty reimbursements, and learning center revenues generated by the Company's technology business unit subsidiaries. Included in the Company's fee and other income are earnings from certain transactions which are in the Company's normal course of business but there is no guarantee that future transactions of the same nature, size or profitability will occur. The Company's ability to consummate such transactions, and the timing thereof, may depend largely upon factors outside the direct control of management. The earnings from these types of transactions in a particular period may not be indicative of the earnings that can be expected in future periods. The acquisition of CLG, Inc. did not materially affect the increases for the periods presented.

For the year ended March 31, 2000, the Company recorded $1.4 million in *e*PlusSuite revenues. These revenues consisted of amounts charged for the arrangement of procurement transactions executed through Procur*e*+, and Manag*e*+, components of *e*PlusSuite. There were no *e*PlusSuite revenues recorded in the prior fiscal year, as *e*PlusSuite was introduced on November 2, 1999. During the year ended March 31, 2000, the selling, general and administrative expenses allocated to the e-commerce busines unit consisted primarily of a corporate overhead allocation.

The Company's direct lease costs increased 29.8% during the year ended March 31, 2000, as compared to the prior fiscal year. The largest component of direct lease costs is depreciation expense on operating lease equipment. The increase for the year ended March 31, 2000 is attributable to the acquisition of CLG, Inc., which has a higher percentage of operating leases, and as a result, added $3.4 million in direct lease costs.

Salaries and benefits expenses increased 61.5% during the year ended March 31, 2000 over the same period in the prior year. These increases reflect the increased number of personnel employed by the Company, higher commission expenses in the technology business unit, and the acquisition of CLG, Inc.

Interest and financing costs incurred by the Company for the year ended March 31, 2000 increased 216.3%, and relate to interest costs on the Company's indebtedness. In addition to increased borrowing under the Company's lines of credit, the Company's lease related non-recourse debt portfolio increased significantly (See "Liquidity and Capital Resources"). Payment for interest costs on the majority of non-recourse and certain recourse notes are typically remitted directly to the lender by the lessee.

The Company's provision for income taxes increased to $5.9 million for the year ended March 31, 2000 from $4.6 million for the prior fiscal year, reflecting effective income tax rates of 41.2% and 40.5%, respectively.

The foregoing resulted in a 24.7% increase in net earnings for the year ended March 31, 2000, as compared to the prior fiscal year.

Basic and fully diluted earnings per common share were $1.09 and $0.91 for the year ended March 31, 2000, as compared to $0.99 and $0.98 for both methods for the year ended March 31, 1999, based on weighted average common shares outstanding of 7,698,287 and 9,155,056, for 2000 and 6,769,732 and 6,827,528, respectively, for 1999.

The Year Ended March 31, 1999 Compared to the Year Ended March 31, 1998

Total revenues generated by the Company during the year ended March 31, 1999 were $194.0 million compared to revenues of $118.4 million for the year ended March 31, 1998, an increase of 63.9%. This increase is primarily attributable to an increase in equipment sales.

Sales revenue, which includes sales of equipment and sales of leased equipment, increased 71.2% to $167.9 million during the year ended March 31, 1999, as compared to $97.8 million in the prior fiscal year.

For the year ended March 31, 1999, equipment sales through the Company's technology business unit subsidiaries accounted for 97.1% of sales of equipment, with the remainder being sales from brokerage and re-marketing activities. Sales of equipment increased significantly during the year ended March 31, 1999, primarily a result of increased technology sales through the Company's subsidiaries.

The Company realized a gross margin on sales of equipment of 14.5% for the year ended March 31, 1999, as compared to a gross margin of 21.1% realized on sales of equipment generated during the year ended March

31, 1998. This decrease in gross margin percentage can be primarily attributed to the Company's July 1, 1998 acquisition of PC Plus, Inc., which has a concentration of higher volume customers with lower gross margin percentages.

During the year ended March 31, 1999 compared to the prior fiscal year, sales of leased equipment increased 67.5% to $84.4 million. During the years ended March 31, 1999 and 1998, sales to MLC/CLC, LLC, accounted for 96.1% and 88.9% of sales of leased equipment, respectively.

During the year ended March 31, 1999, the Company recognized a gross margin of 1.3% on leased equipment sales of $84.4 million as compared to a gross margin of 1.4% on leased equipment sales of $50.4 million during the prior fiscal year.

The Company's lease revenues increased 38.5% to $20.6 million for the year ended March 31, 1999, compared with the prior fiscal year. This increase consists of increased lease earnings and rental revenues reflecting a higher average investment in direct financing and sales-type leases. The investment in direct financing and sales-type leases at March 31, 1999 and March 31, 1998 were $83.4 million and $32.5 million, respectively. The March 31, 1999 balance represents an increase of $50.9 million or 156.7% over the balance as of March 31, 1998.

For the year ended March 31, 1999, fee and other income decreased 5.4% over the prior fiscal year. This decrease is attributable to decreases in revenues from adjunct services and fees, including broker fees, support fees, warranty reimbursements, and learning center revenues generated by the Company's technology business unit subsidiaries.

The Company's direct lease costs increased 14.3% during the year ended March 31, 1999, as compared to the prior fiscal year. The increase for the year ended March 31, 1999 is attributable to increased depreciation of operating lease equipment and amortization of initial direct costs.

Salaries and benefits expenses increased 14.7% during the year ended March 31, 1999 over the same period in the prior year. These increases reflect the increased number of personnel employed by the Company and higher commission expenses in the technology business unit.

Interest and financing costs incurred by the Company for the year ended March 31, 1999 increased 96.1%, and relate to interest costs on the Company's indebtedness. In addition to increased borrowing under the Company's lines of credit, the Company's lease related non-recourse debt portfolio increased significantly.

The Company's provision for income taxes increased to $4.6 million for the year ended March 31, 1999 from $2.7 million for the prior fiscal year, reflecting effective income tax rates of 40.5% and 30.8%, respectively. The March 31, 1997 rate reflects the effects of the pooling of interests of two subsidiaries acquired in that year that were subchapter S Corporations.

The foregoing resulted in a 11.2% increase in net earnings for the year ended March 31, 1999, as compared to the prior fiscal year.

Basic and fully diluted earnings per common share were $0.99 and $0.98 for the year ended March 31, 1999, as compared to $1.00 and $0.98 for both methods for the year ended March 31, 1998, based on weighted average common shares outstanding of 6,769,732 and 6,827,528, for 1999 and 6,031,088 and 6,143,017, respectively, for 1998.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended March 31, 2000, the Company generated cash flows in operations of $18.4 million, and used cash flows from investing activities of $124.9 million. Cash flows generated by financing activities amounted to $120.5 million during the same period. The net effect of these cash flows was a net increase in cash and cash equivalents of $14.0 million during the year. During the same period, our total assets increased $190.9 million, or 123.7%, primarily the result of increases in direct financing leases and the acquisition of CLG, Inc. on September 30, 1999. The Company's net investment in operating lease equipment increased during the period, primarily due to the acquisition of operating lease assets from CLG, Inc. The cash balance at March 31, 2000 was $21.9 million as compared to $7.9 million the prior year. This increase is due to both a higher amount of cash from non-recourse loans and a greater than expected receipts on account receivables from customers in the technology sales subsidiaries received at the end of the fiscal year.

Working capital financing in our leasing business is provided by a $65 million committed credit facility provided through First Union National Bank, N.A. This current credit facility was renewed for another one-year period on December 19, 1999, has full recourse to the Company, and is secured by a blanket lien against all of our assets. In addition, we have entered into pledge agreements to pledge the common stock of each of our wholly-owned subsidiaries. The interest rates charged under this facility are LIBOR plus 1.5% or Prime minus .5%, depending on the term of the borrowing. The line is collateral based and our ability to borrow is limited to the amount of eligible collateral at any given time. Collateral is eligible under the line for up to a year. However, we generally finance the underlying contracts on a non-recourse basis as soon as practical. The facility expires on December 19, 2000. The loss of this relationship could have a material adverse effect on our future results as we rely on this facility for daily working capital and liquidity for our leasing business.

Our First Union Credit Facility has been increased as our credit needs have expanded as follows:

DATE	MAXIMUM LINE OF CREDIT
December 19, 1999	$ 65,000,000
December 18, 1998	50,000,000
June 30, 1998	35,000,000
September 5, 1997	25,000,000
June 5, 1997	15,000,000

In general, we use this facility to pay the cost of equipment to be put on lease, and we repay borrowings from the proceeds of: (1) long-term, non-recourse, fixed rate financing which we obtain from lenders after the underlying lease transaction is finalized or (2) sales of leases to third parties. As of March 31, 2000 and 1999, the outstanding balances on this First Union Facility amounted to $34.5 million and $18.0 million, respectively, and represented 88.5% and 94.2% of the outstanding recourse debt. The Company has a $3.1 million subordinated recourse note payable due to Centura Bank resulting from the acquisition of CLG, Inc. This note comes due in October, 2006 and has an 11% interest rate payable monthly.

Non-recourse notes payable increased to $182.8 million at March 31, 2000 from $52.4 million as of March 31, 1999. The increase is the result of the debt funding of the increased lease portfolio retained on our balance sheet. Non-recourse financings are loans whose repayment is the responsibility of a specific customer, although we may make representations and warranties to the lender regarding the specific contract or have ongoing loan servicing obligations. Under a non-recourse loan, we borrow from a lender an amount based on the present value of the contractually committed lease payments under the lease at a fixed rate of interest, and the lender secures a lien on the financed assets. When the lender is fully repaid from the lease payment, the lien is released and all further rental or sale proceeds are ours. We are not liable for the repayment of non-recourse loans unless we breach our representations and warranties in the loan agreements. The lender assumes the credit risk of each lease, and their only recourse, upon a default under a lease by the lessee, is against the lessee and the specific equipment under lease.

The Company's debt financing activities typically provide approximately 80% to 100% of the purchase price of the equipment purchased by the Company for lease to its customers. Any balance of the purchase price (the Company's equity investment in the equipment) must generally be financed by cash flow from its operations, the sale of the equipment lease to third parties, or other internal means of financing. Although the Company expects that the credit quality of its leases and its residual return history will continue to allow it to obtain such financing, no assurances can be given that such financing will be available, at acceptable terms, or at all. The financing necessary to support the Company's leasing activities has principally been provided from non-recourse and recourse borrowings. Non-recourse debt and debt that is partially recourse is provided by various lending institutions. We have programs with Heller Financial, Inc., Key Corporate Capital, Inc., and Fleet Business Credit Corporation. These programs require that each transaction is specifically approved and done solely at the lender's discretion.

We sell our leases to a number of financial institutions. In particular, through MLC/CLC LLC, we have a formal joint venture arrangement with an institutional investor, which purchases a substantial portion of our total equipment under lease. Firstar Equipment Finance, a subsidiary of Firstar Corporation, a bank holding company, is an unaffiliated investor that owns 95% of MLC/CLC LLC. MLC/CLC LLC represented approximately $28.7 million of our total leased equipment sales of $57.4 million or 50% for the year ended March 31, 2000. It represented approximately $81.1 million of our leased equipment sales of $84.4 million or 96.1% for the year ended March 31, 1999. We were notified that Firstar Equipment Finance Corporation discontinued its investment in new lease acquisitions after May, 2000.

When we sell a lease, we generally retain little or no residual risk, and we usually preserve the right to share in remarketing proceeds of the equipment on a subordinated basis after the investor has received an agreed-to return on its investment.

We obtain working capital for the financing of accounts receivables and inventory in our technology sales subsidiaries from various floor planning finance agreements in place between the subsidiaries with Bank of America Commercial Finance, Finova Capital Corporation, and IBM Credit Corporation. We also have a general line of credit for *e*Plus Technology of PA, inc. with PNC Banks, N.A. with a maximum credit limit of $2.5 million. There was no outstanding balance on this facility on March 31, 2000. These facilities are fully recourse to our subsidiary companies and have various levels of recourse to us. Interest charges under the floor planning facilities are paid by the manufacturers of the products through the distributor for up to 40 days after the sale, and we are responsible for interest charges thereafter. Bank of America Commercial Finance notified *e*Plus Technology, inc. on June 16, 2000 that effective August 16, 2000 they will no longer provide floor planning services. We feel that we will be able to obtain an alternative supplier within the time frame allowed and that we have adequate internal financial capacity to function under the normal financing terms of the information technology sales distributors.

As of March 31, 2000 and 1999, the floor planning agreements have the following credit limits and amounts outstanding:

ENTITY	FLOOR PLAN SUPPLIER	CREDIT LIMIT	BALANCE (Mar. 31, 2000)
*e*PlusTechnology of NC, inc.	Finova Capital Corporation	$4,000,000	$2,271,500
	IBM Credit Corporation	750,000	0
*e*Plus Technology of PA, inc.	Finova Capital Corporation	7,000,000	3,587,580
	IBM Credit Corporation	750,000	202,274
*e*Plus Technology, inc.	Bank of America Commercial Finance	18,000,000	1,605,562

ENTITY	FLOOR PLAN SUPPLIER	CREDIT LIMIT	BALANCE (Mar. 31, 1999)
*e*PlusTechnology of NC, inc.	Deutsche Financial, Inc.	$2,600,000	$1,102,577
*e*Plus Technology of PA, inc.	Finova Capital Corporation	5,000,000	3,399,018
	IBM Credit Corporation	750,000	400,831
*e*Plus Technology, inc.	NationsCredit Corporation	8,000,000	487,155

The above credit facilties and sources of non-recourse debt have allowed us to significantly expand our business. Overall, our total assets increased 123.7% to $345.3 million as of March 31, 2000 as compared to $154.4 million in total assets as of March 31, 1999. Our cash and cash equivalents represented 6.3% and 5.1% of total assets as of March 31, 2000 and 1999, respectively. Our cash balances are invested in overnight, interest bearing investments.

The largest component of assets is our investment in direct financing and sales type leases and investment in operating lease equipment. These assets represent 67.2% and 56.3% of total assets as of March 31, 2000 and 1999, respectively. The Company's investment in direct financing leases and operating lease equipment amounted to $232.0 and $86.9 million at the end of fiscal years 2000 and 1999, respectively, reflecting an increased lease transaction volume due partly from the acquisition of CLG, Inc.. The size and composition of our lease portfolio may vary depending on the nature and volume of new leases originated, as well as the nature and timing of sales of lease rental streams and sale of equipment underlying the leases.

As of March 31, 2000 and 1999, the Company had $1.2 and $0.5 million in notes receivable, respectively. As of March 31, 2000, we had an outstanding note receivable of $.8 million from a corporation in which we also had warrants to acquire a major equity share. Subsequent to year end, the maker of the note was acquired and the note receivable was converted into cash from partial repayment, common stock and additional warrants of the acquiring entity. The remainder of the notes receivable are from our joint venture equity partner and related to the rental stream on leases attached to equipment which was sold to the equity partner. The vast majority of these notes receivable are paid off with the proceeds of a non-recourse funding secured on behalf of the joint venture 30 to 90 days subsequent to an equity sale. In the event that a rental stream is not funded on behalf of the joint venture partner, we will continue to receive the rental payments from the lessee.

The Company's liabilities are composed primarily of amounts due to vendors for equipment to be placed on lease, recourse lines of credit, and nonrecourse debt associated with our lease portfolio.

As of March 31, 2000 amounts due to vendors for inventory and general expenses ("Accounts Payable - trade") and amounts due to vendors for equipment which will be placed on lease ("Accounts Payable - equipment") totaled $52.4 million, as compared to $30.6 million at March 31, 1999. The increase is primarily attributable to an increase in amounts payable for equipment from our VAR subsidiaries due to increased sales volume.

ADEQUACY OF CAPITAL RESOURCES

The Company's current working capital lines of credit, if maintained, and its expected access to the public and private debt securities markets (including financings for its equity investment in leases) and its estimated cash flow from operations are anticipated to provide adequate capital to fund the Company's operations, including minor acquisitions and financings under its relationships with vendors, for at least the next 12 months. Although no assurances can be given, we expect to be able to maintain, renew, or replace its existing short-term lines of credit and to continue to have access to the public and private securities markets, both for debt and for equity financings.

FACTORS THAT MAY AFFECT FUTURE OPERATING RESULTS

Certain statements contained herein are not based on historical fact, but are forward-looking statements that are based upon numerous assumptions about future conditions that may not occur. Actual events, transactions and results may materially differ from the anticipated events, transactions, or results described in such statements. The Company's ability to consummate such transactions and achieve such events or results is subject to certain risks and uncertainties. Such risks and uncertainties include, but are not limited to the matters set forth below.

The Company's e-commerce business has an extremely limited operating history. Although it has been in the business of financing and selling information technology equipment since 1990, the Company expects to derive a significant portion of its future revenues from its *e*PlusSuite services. As a result, the Company will encounter some of the challenges, risks, difficulties and uncertainties frequently encountered by early stage companies using new and unproven business models in new and rapidly evolving markets. Some of these challenges relate to the Company's ability to:

- increase the total number of users of *e*PlusSuite services;

- adapt to meet changes in its markets and competitive developments; and

- continue to update its technology to enhance the features and functionality of its suite of products.

The Company cannot be certain that its business strategy will be successful or that it will successfully address these and other challenges, risks and uncertainties.

Over the longer term, the Company expects to derive a significant portion of its revenues from *e*PlusSuite services, which is based on an unproven business model. The Company expects to incur increased expenses that may negatively impact profitability. The Company also expects to incur significant sales and marketing, research and development, and general and administrative expenses in connection with the development of this business. As a result, the Company may incur significant losses in its e-commerce business unit in the foreseeable future, which may have a material adverse effect on the future operating results of the Company as a whole.

The Company began operating its *e*PlusSuite services in November, 1999. Broad and timely acceptance of the *e*PlusSuite services, which is critical to the Company's future success, is subject to a number of significant risks. These risks include:

- operating resource management and procurement on the Internet is a new market;

- the system's ability to support large numbers of buyers and suppliers is unproven;

- significant enhancement of the features and services of *e*PlusSuite services is needed to achieve widespread commercial initial and continued widespread acceptance of the system;

- the pricing model may not be acceptable to customers;

- if the Company is unable to develop and increase transaction volume on *e*PlusSuite, it is unlikely that it will ever achieve or maintain profitability in this business;

- businesses that have made substantial up-front payments for e-commerce solutions may be reluctant to replace their current solution and adopt the Company's solution;

- the Company's ability to adapt to a new market that is characterized by rapidly changing technology, evolving industry standards and frequent new product announcements;

- significant expansion of internal resources is needed to support planned growth of the Company's *e*PlusSuite services.

THE YEAR 2000 ISSUE

We have completed the Year 2000 compliance modification to our information-technology and non-information technology based applications. To date, we have not experienced any disruptions in any aspect of our operations. We continue to monitor our infrastructure, the products we offer, and our critical business partners to ensure continued success. We do not anticipate any significant future costs related to maintaining our Year 2000 compliance.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Although a substantial portion of the Company's liabilities are non-recourse, fixed interest rate instruments, the Company is reliant upon lines of credit and other financing facilities which are subject to fluctuations in interest rates. Should interest rates significantly increase, the Company would incur higher interest expense, and to the extent that the Company is unable to recover these higher costs, potentially lower earnings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See accompanying Table of Contents to Financial Statements and Schedule on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Except as set forth below, the information required by Items 10, 11, 12 and 13 is incorporated by reference from the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of the Company's fiscal year.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the name, age and position with the Company of each person who is an executive officer, director or significant employee.

NAME	AGE	POSITION	CLASS
Phillip G. Norton	56	Chairman of the Board, President and Chief Executive Officer	III
Bruce M. Bowen	48	Director and Executive Vice President	III
Steven J. Mencarini	44	Senior Vice President and Chief Financial Officer	
Kleyton L. Parkhurst	37	Senior Vice President, Secretary, and Treasurer	
Terrence O'Donnell	56	Director	II
Carl J. Rickertsen	40	Director	II
C. Thomas Faulders, III	50	Director	I
Dr. Paul G. Stern	61	Director	I
David Rose	39	President, *e*Plus Technology of NC, inc.	
Vincent M. Marino	42	President, *e*Plus Technology of PA, inc.	
Nadim Achi	38	President, *e*Plus Technology, inc.	

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A)(1) Financial Statements

The financial statements listed in the accompanying Index to Financial Statements and Schedule are filed as a part of this report and incorporated herein by reference.

(A)(2) Financial Statement Schedule

The financial statement schedule listed in the accompanying Index to Financial Statements and Schedules are filed as a part of this report and incorporated herein by reference.

(B) Reports on Form 8-K

The Company filed four Form 8-K's during the last quarter of the period covered by this report.

Form 8-K filed with the Commission on January 3, 2000 reporting the establishment of a $65,000,000 credit facility with First Union Bank as Agent. No financial statements were included.

Form 8-K/A dated September 30, 1999 and filed on February 24, 2000 amending a Form 8-K originally filed on October 18, 1999, as amended by a Form 8-K/A filed on December 17, 1999 to provide the historical and pro forma financial information required under Item 7 of Form 8-K. The filing included an Unaudited Condensed Balance Sheet as of June 30, 1999, Unaudited Condensed Statement of Earnings for the Six Months Ended June 30, 1999 and 1998, Unaudited Condensed Statements of Cash Flows for the Six Months Ended June 30, 1999 and 1998 and Notes to Unaudited Condensed Financial Statements.

Form 8-K dated February 25, 2000 and filed with the Commission on March 9, 2000 reporting the filing of a registration statement for a proposed underwriting of a public offering of common stock and also reporting an agreement between the Company and TC Plus, LLC amending and restating the Stockholders Agreement among *e*Plus inc. and certain of its stockholders. No financial statements were included.

Form 8-K dated March 6, 2000 and filed on March 21, 2000 reporting the establishment of a marketing and distribution agreement with PSINet Inc. No financial statements were included.

(C) Exhibits

Exhibit Number	Description
2.1 (4)	Agreement and Plan of Merger dated July 24, 1997, by and among MLC Holdings, Inc., MLC Network Solutions, Inc., Compuventures of Pitt County, Inc., and the Stockholders of Compuventures of Pitt County, Inc.

2.2 (5)	Agreement and Plan of Merger dated September 29, 1997, by and among MLC Holdings, Inc., MLC Acquisition Corporation, Educational Computer Concepts, Inc. and the Stockholders of Educational Computer Concepts, Inc.
2.3 (7)	Agreement and Plan of Merger dated July 1, 1998, by and among MLC Holdings, Inc., MLC Network Solutions of Virginia, Inc., PC Plus, Inc., and the Stockholders of PC Plus, Inc.
2.4 (9)	Stock Purchase Agreement, dated as of October 23, 1998 by and between MLC Holdings, Inc. and TC Leasing, LLC
2.5 (13)	Agreement, dated as of February 25, 2000 by and between *e*Plus inc. and TC Plus, LLC waiving certain provisions of the Stock Purchase Agreement dated as of October 23, 1998 by and between MLC Holdings, Inc. and TC Leasing, LLC
2.6 (14)	Amendment, dated as of April 11, 2000, to the Agreement, dated as of February 25, 2000 by and between ePlus inc. and TC Plus, LLC
2.7 (12)	Stock Purchase Agreement dated as of August 31, 1999 by and among MLC Holdings, Inc., CLG Inc. and Centura Bank
3.1 (5)	Certificate of Incorporation of the Company, as amended
3.2	Certificate of Amendment to Certificate of Incorporation
3.3 (1)	Bylaws of the Company
4.1 (1)	Specimen certificate of Common Stock of the Company
10.1 (1)	Form of Indemnification Agreement entered into between the Company and its directors and officers
10.2 (1) *	Form of Employment Agreement between the Registrant and Phillip G. Norton
10.3 (1) *	Form of Employment Agreement between the Registrant and Bruce M. Bowen
10.4 (1) *	Form of Employment Agreement between the Registrant and William J. Slaton
10.5 (1) *	Form of Employment Agreement between the Registrant and Kleyton L. Parkhurst
10.6 (3) *	Form of Employment Agreement between the Registrant and Thomas B. Howard, Jr.
10.7 (3) *	Form of Employment Agreement between the Registrant and Steven J. Mencarini
10.8 (6) *	Form of Employment Agreement between the Registrant and Nadim Achi
10.9 (5) *	MLC Master Stock Incentive Plan

10.10 (5) *	Amended and Restated Incentive Stock Option Plan
10.11 (5) *	Amended and Restated Outside Director Stock Option Plan
10.12 (5) *	Amended and Restated Nonqualified Stock Option Plan
10.13 (5) *	1997 Employee Stock Purchase Plan
10.14 (8)	1998 Long Term Incentive Stock Option Plan
10.15 (2)	Loan and Security Agreement dated January 31, 1997 between MLC Group, Inc. and Heller Financial, Inc.
10.16 (2)	First Amendment to Loan and Security Agreement dated March 12, 1997 between MLC Group, Inc. and Heller Financial, Inc.
10.17 (10)	Credit Agreement dated December 18, 1998 between MLC Holdings, Inc., MLC Group, Inc., and MLC Federal, Inc. and Certain Banking Institutions with First Union National Bank As Agent
10.18 (10)	Security Agreement dated December 18, 1998 between MLC Holdings, Inc., MLC Group, Inc., and MLC Federal, Inc., and Certain Banking Institutions with First Union National Bank As Agent
10.19 (10)	Pledge Agreement dated December 18, 1998 between MLC Holdings, Inc., MLC Group, Inc., and MLC Federal, Inc., and Certain Banking Institutions with First Union National Bank As Agent
10.20 (10)	Notes by and between MLC Holdings, Inc., MLC Group, Inc., MLC Federal, Inc. and First Union National Bank, Bank Leumi USA, Riggs Bank N.A., Wachovia Bank, Summit Bank, and Key Bank National Association, respectively.
10.21 (10)	Amendment Number One dated June 21, 1999 to Credit Agreement between the Company and First Union National Bank dated December 18, 1998
10.22 (10)	Amendment Number Two dated September 22, 1999 to Credit Agreement between the Company and First Union National Bank dated December 18, 1998
10.23 (10)	Amendment Number Three dated October 27, 1999 to Credit Agreement between the Company and First Union National Bank dated December 18, 1998
10.24 (10)	Amendment Number Four dated December 20, 1999 to Credit Agreement between the Company and First Union National Bank dated December 18, 1998
10.25 (11)	Sublease by and between Cisco Systems ("Tenant") and MLC Holdings, Inc. ("Sub-tenant")

10.26 (6)	Escrow Agreement between the Company, Crestar Bank and Nadim Achi as representative of PC Plus, Inc. shareholders dated July 1, 1998
10.27 (16)	Amended and Restated Stockholders Agreement dated as of April 11, 2000, 1998, by and among *e*Plus inc., TC Plus, LLC, Phillip G. Norton, Bruce M. Bowen, J.A.P. Investment Group, L.P., Kevin M. Norton and Patrick J. Norton, Jr.
10.28 (10)	Stock Purchase Warrant, dated as of October 23, 1998, by and between MLC Holdings, Inc. and TC Leasing, LLC
10. 29 (1)	Form of Irrevocable Proxy and Stock Rights Agreement
21.1	Subsidiaries of the Company
23.1	Consent of Deloitte & Touche LLP
27.1	Financial Data Schedule

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*	Indicates a management contract or compensatory plan or arrangement.
(1)	Incorporated herein by reference to the indicated exhibit filed as part of the Registrant's Registration Statement on Form S-1 (No. 333-11737)
(2)	Incorporated herein by reference to Exhibits 5.1 and 5.2 filed as part of the Registrant's Form 8-K filed March 28, 1997
(3)	Incorporated herein by reference to the indicated exhibit filed as part of the Registrant's Form 10-K filed on June 30, 1997
(4)	Incorporated herein by reference to the indicated exhibit filed as part of the Registrant's Form 8-K filed on August 8, 1997
(5)	Incorporated herein by reference to the indicated exhibit filed as part of the Registrant's Form 10-Q filed on November 14, 1997
(6)	Incorporated herein by reference to the indicated exhibit filed as a part of the Registrant's Form 8-K filed on July 31, 1998
(7)	Incorporated herein by reference to Exhibit 10.27 filed as a part of the Registrant's Form 10-Q filed on November 12, 1998
(8)	Incorporated herein by reference to Exhibits 2.1, 2.2 and 2.3 filed as a part of the Registrant's Form 8-K filed on November 13, 1998

(9) Incorporated herein by reference to the indicated exhibit filed as a part of the Registrant's Form 8-K filed on December 31, 1998

(10) Incorporated herein by reference to Exhibits 5.5, 5.6, 5.7 and 5.8 filed as part of the Registrant's Form 8-K filed on January 3, 2000

(11) Incorporated herein by reference to the Exhibit 5.5 filed as part of the Registrant's Form 10-K filed on June 28, 1999

(12) Incorporated herein by reference to Exhibit 4.1 filed as part of Registrant's Form 8-K filed on September 14, 1999

(13) Incorporated herein by reference to Exhibit 99.3 filed as part of the Registrant's Form 8-K filed on March 9, 2000

(14) Incorporated herein by reference to Exhibit 99.2 filed as part of the Registrant's Form 8-K filed on May 12, 2000

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

*e*Plus inc.

/s/ PHILLIP G. NORTON
By: Phillip G. Norton, Chairman of the Board,
President and Chief Executive Officer
Date: June 28, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ PHILLIP G. NORTON
By: Phillip G. Norton, Chairman of the Board,
President and Chief Executive Officer
Date: June 28, 2000

/s/ STEVEN J. MENCARINI
By: Steven J. Mencarini, Senior Vice President,
Chief Financial Officer, Principal Accounting Officer
Date: June 28, 2000

/s/ BRUCE M. BOWEN
By: Bruce M. Bowen, Director and Executive
Vice President
Date: June 28, 2000

/s/ TERRENCE O'DONNELL
By: Terrence O'Donnell, Director
Date: June 28, 2000

/s/ CARL J. RICKERTSEN
By: Carl J. Rickertsen, Director
Date: June 28, 2000

/s/C. THOMAS FAULDERS, III
By: C. Thomas Faulders, III, Director
Date: June 28, 2000

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

To the Board of Directors and Stockholders of
*e*Plus inc.
Herndon, Virginia

We have audited the consolidated balance sheets of *e*Plus inc. and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2000. Our audits also included the financial statement schedule listed in the Index at Item 14(a)(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements present fairly, in all material respects, the financial position of *e*Plus inc. and subsidiaries as of March 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia
June 23, 2000

CONSOLIDATED BALANCE SHEETS

	As of March 31	
	1999	2000
Assets		
Cash and cash equivalents	$ 7,891,661	$ 21,909,784
Accounts receivable	44,090,101	60,166,596
Notes receivable (1)	547,011	1,195,264
Employee advances	20,078	94,693
Inventories	658,355	2,445,425
Investment in direct financing and sales-type leases - net	83,370,950	221,884,864
Investment in operating lease equipment - net	3,530,179	10,114,392
Property and equipment - net	2,018,133	2,895,711
Other assets (2)	12,232,130	24,628,019
Total Assets	$154,358,598	$ 345,334,748
Liabilities and Stockholders' Equity		
Liabilties		
Accounts payable - equipment	$ 18,049,059	$ 22,975,545
Accounts payable - trade	12,518,533	29,451,907
Salaries and commissions payable	535,876	956,762
Accrued expenses and other liabilities	4,638,708	8,519,353
Income taxes payable	-	3,685,870
Recourse notes payable	19,081,137	39,017,168
Nonrecourse notes payable	52,429,266	182,845,152
Deferred taxes	3,292,210	762,139
Total Liabilities	110,544,789	288,213,896
Commitments and Contingencies (Note 7)		
Stockholders' Equity		
Preferred stock, $.01 par value; 2,000,000 shares authorized; none issued or outstanding	-	-
Common stock, $.01 par value; 25,000,000 authorized 7,470,595 and 7,958,433 issued and outstanding at March 31, 1999 and 2000, respectively	74,706	79,584
Additional paid-in capital	24,999,371	29,926,168
Retained earnings	18,739,732	27,115,100
Total stockholders' equity	43,813,809	57,120,852
Total Liabilities and Stockholders' Equity	$ 154,358,598	$ 345,334,748

(1) Includes amounts with related parties of $518,955 and $985,767 as of March 31, 1999 and 2000, respectively.
(2) Includes amounts with related parties of $1,281,474 and $1,509,450 for the fiscal year of March 31, 1999 and 2000, respectively.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF EARNINGS

	Year Ended March 31,		
	1998	1999	2000
Revenues			
Sales of equipment	$ 47,419,115	$ 83,516,254	$ 166,252,178
Sales of leased equipment	50,362,055	84,378,800	57,360,366
	97,781,170	167,895,054	223,612,544
Lease revenues	14,882,420	20,610,542	31,374,244
Fee and other income	5,778,685	5,464,242	8,371,115
*e*PlusSuite revenues	-	-	1, 375,901
	20,661,105	26,074,784	41,121,260
Total Revenues (1)	118,442,275	193,969,838	264,733,804
Costs and Expenses			
Cost of sales, equipment	37,423,397	71,367,090	147,209,320
Cost of sales, leased equipment	49,668,756	83,269,110	55,454,033
	87,092,153	154,636,200	202,663,353
Direct lease costs	5,409,338	6,183,562	8,025,343
Professional and other fees	1,072,691	1,222,080	2,125,523
Salaries and benefits	10,356,456	11,880,062	19,189,271
General and administrative expenses	3,694,309	5,151,494	7,090,070
Nonrecurring aquisition costs	250,388	-	-
Interest and finance costs	1,836,956	3,601,348	11,389,682
	22,620,138	28,038,546	47,819,889
Total Costs and Expenses (2)	109,712,291	182,674,746	250,483,242
Earnings before provision for income taxes	8,729,984	11,295,092	14,250,562
Provision for income taxes	2,690,890	4,578,625	5,875,194
Net Earnings	$ 6,039,094	$ 6,716,467	$ 8,375,368
Net Earnings per Common Share - Basic	$ 1.00	$ 0.99	$ 1.09
Net Earnings per Common Share - Diluted	$ 0.98	$ 0.98	$ 0.91
Pro Forma Net Earnings (Note 8)	$ 5,425,833	$ 6,716,467	$ 8,375,368
Pro Forma Net Earnings per Common Share - Basic	$ 0.90	$ 0.99	$ 1.09
Pro Forma Net Earnings per Common Share - Diluted	$ 0.88	$ 0.98	$ 0.91
Weighted Average Shares Outstanding - Basics	6,031,088	6,769,732	7,698,287
Weighted Average Shares Outstanding - Diluted	6,143,017	6,827,528	9,155,056

(1) Includes amounts with related parties of $46,710,190, $82,652,623 and $28,976,999 for the fiscal years ended March 31, 1998, 1999 and 2000, respectively.
(2) Includes amounts with related parties of $44,831,701, $80,966,659 and $28,261,282 for the fiscal years ended March 31, 1998, 1999 and 2000, respectively.

See Notes to Consolidated Financial Statements.

ePlus inc. and subsidiaries

Consolidated Stockholders' Equity

	Common Stock		Additional	Retained	
	Shares	Par Value	Paid-in Capital	Earnings	TOTAL
Balance, April 1, 1997	5,909,976	$59,100	$9,346,214	$7,071,431	$16,476,745
Sale of common shares	161,329	1,613	1,998,387	-	2,000,000
Issuance of shares for option exercise	200	2	1,748	-	1,750
Compensation to outside directors	-	-	113,982	-	113,982
Distributions to owners	-	-	-	(1,087,260)	(1,087,260)
Net earnings	-	-	-	6,039,094	6,039,094
Balance, March 31, 1998	6,071,505	60,715	11,460,331	12,023,265	23,544 311
Issuance of shares for option exercise	10,500	105	91,770	-	91,875
Issuance of shares to employees	14,001	140	112,452	-	112,592
Issuance of shares in business combination	263,478	2,635	3,620,188	-	3,622,823
Sale of common shares	1,111,111	11,111	9,714,630	-	9,725,741
Net earnings	-	-	-	6,716,467	6,716,467
Balance, March 31, 1999	7,470,595	74,706	24,999,371	18,739,732	43,813,809
Issuance of shares for option exercise	61,044	610	662,406	-	663,016
Issuance of shares to employees	33,804	338	315,395	-	315,733
Issuance of shares in business combination	392,990	3,930	3,896,496	-	3,900,426
Issuance of common stock purchase warrants	-	-	52,500	-	52,500
Net earnings	-	-	-	8,375,368	8,375,368
Balance, March 31, 2000	7,958,433	$79,584	$29,926,168	$27,115,100	$57,120,852

See Notes to Consolidated Financial Statements.

	Year Ended March 31,		
	1998	1999	2000
Cash Flows From Operating Activities:			
Net Earnings	$6,039,094	$6,716,467	$8,375,368
Adjustments to reconcile net earnings to net cash provided by (used in) operating activies:			
Depreciation and amortization	4,628,272	4,720,241	7,359,180
Provision for credit losses	(1,000)	500,000	374,580
Deferred taxes	897,000	1,805,210	(2,530,071)
Loss (Gain) on sale of operating lease equipment (1)	(55,881)	57,984	(753,787)
Adjustment of basis to fair market value of operating lease equipment and investments	-	306,921	12,000
Payments from lessees directly to lenders	(1,788,611)	(970,483)	(7,523,540)
Loss on disposal or property and equipment	-	26,246	47,492
Compensation to outside directors - stock options	113, 982	-	-
Changes in:			
Accounts receivable	(7,536,888)	(19,809,403)	(17,839,402)
Notes receivable (2)	(1,647,558)	3,316,261	(494,622)
Employee advances	17,030	33,028	(48,736)
Inventories	64,410	1,293,081	6,791,464
Other assets (3)	(893,959)	(4,094,505)	(3,724,798)
Accounts payable - equipment	16,337,160	(3,964,145)	4,926,486
Accounts payable - trade	3,858,482	528,181	16,175,112
Salaries and commissions payable, accrued expenses and other liabilities	629,380	1,097,776	7,279,067
Net cash provided by (used in) operating activites	20,660,913	(8,437,140)	18,425,793
Cash Flows From Investing Activities:			
Proceeds from sale of operating equipment	726,714	138,003	820,015
Purchase of operating lease equipment (4)	(2,065,079)	(487,418)	(1,904,985)
Increase in investment in direct financing and sales-type leases (5)	(18,833,704)	(80,744,494)	(120,118,484)
Proceeds from sale of property and equipment	800	2,000	-
Purchases of property and equipment	(1,032,243)	(1,249,214)	(1,608,190)
Cash used in acquisitions, net of cash acquired	-	(3,485,279)	(1,845,730)
Increase in other assets (6)	(472, 962)	(788,856)	(219,603)
Net cash used in investing activities	(21,676,474)	(86,615,258)	(124,876,977)

	Year Ended March 31,		
	1998	1999	2000
Cash Flows From Financing Activites:			
Borrowings:			
Nonrecourse	$ 4,511,517	$ 79,941,563	$ 126,758,387
Recourse	174,894	415,606	732,276
Repayments:			
Nonrecourse	(4,872,557)	(10,200,352)	(22,234,446)
Recourse	(307,819)	(195,892)	(1,408,934)
Repayments of loans from stockholders	(10,976)	-	-
Distributions to shareholders of combined companies prior to business combination	(1,087,260)	-	-
Proceeds from issuance of capital stock, net of expenses	2,001,750	9,930,209	978,749
Issuance of common stock purchase warrants	-	-	52,500
Proceeds from lines of credit	12,635,599	4,369,129	15,590,775
Net cash provided by financing activities	13,045,148	84,260,263	120,469,307
Net Increase (Decrease) in Cash and Cash Equivalents	12,029,587	(10,792,135)	14,018,123
Cash and Cash Equivalents, Beginning of Period	6,654,209	18,683,796	7,891,661
Cash and Cash Equivalents, End of Year	18,683,796	7,891,661	21,909,784
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	347,757	1,475,497	3,591,943
Cash paid for income taxes	2,681,867	2,913,818	6,473,357

See Notes To Consolidated Financial Statements.

(1) Includes amounts used by related parties of ($35,540), $0, and $0 for the fiscal years ended March 31, 1998, 1999 and 2000.

(2) Includes amounts provided by (used by) related parties of ($1,897,094), $3,291,681 and ($466,812) for the fiscal years ended March 31, 1998, 1999 and 2000.

(3) Includes amounts provided by (used by) related parties of $51,482, $329,275 and ($1,383) for the fiscal years ended March 31, 1998, 1999 and 2000.

(4) Includes amounts provided by related parties of $935,737, $0 and $0 for the fiscal years ended March 31, 1998, 1999 and 2000.

(5) Includes amounts provided by related parties of $43,418,347, $80,510,214 and $28,033,282 for the fiscal years ended March 31, 1998, 1999 and 2000.

(6) Includes amounts provided by (used by) related parties of ($473,621), $652,701 and ($219,603) for the fiscal years ended March 31, 1998, 1999 and 2000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and For the Years Ended March 31, 1998, 1999, and 2000

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Effective October 18, 1999, MLC Holdings, Inc. changed its name to *e*Plus inc. ("*e*Plus" or the "Company"). Effective January 31, 2000, *e*Plus inc.'s wholly owned subsidiaries MLC Group, Inc., MLC Federal, Inc., MLC Capital, Inc., PC Plus, Inc., MLC Network Solutions, Inc. and Educational Computer Concepts, Inc. changed their names to *e*Plus Group, inc., *e*Plus Government, inc., *e*Plus Capital, inc., *e*Plus Technology, inc., *e*Plus Technology of NC, inc. and *e*Plus Technology of PA, inc., respectively. The accompanying consolidated financial statements include the accounts of the wholly owned subsidiary companies (MLC Network Solutions, Inc. and Educational Computer Concepts, Inc.) at historical amounts as if the business combinations had occurred on March 31, 1997 in a manner similar to a pooling of interest. The accompanying financial statements also include the accounts of the wholly owned subsidiary (PC Plus, Inc.) from July 1, 1998, accounted for as a purchase.

principles of consolidation - The consolidated financial statements include the accounts of *e*Plus inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

business combinations - On July 1, 1998, the Company, through a new wholly owned subsidiary, MLC Network Solutions of Virginia, Inc., issued 263,478 common shares, valued at $3,622,823, and cash of $3,622,836 for all the outstanding common shares of PC Plus, Inc., a value-added reseller of PCs, related network equipment and software products and provider of various support services to its customers from its facility in Reston, Virginia. Subsequent to the acquisition, MLC Network Solutions of Virginia, Inc. changed its name to PC Plus, Inc. This business combination has been accounted for using the purchase method of accounting, and accordingly, the results of operations of PC Plus, Inc. have been included in the Company's consolidated financial statements from July 1, 1998. The Company's other assets include goodwill of $6,045,330 calculated as the excess of the purchase price over the fair value of the net identifiable assets acquired, and is being amortized on a straight-line basis over 27.5 years. As of March 31, 1999 and 2000, the net balance of such goodwill is $5,880,457 and $5,825,500, respectively. See Note 12.

On October 1, 1999, the Company purchased all of the stock of CLG, Inc., a technology equipment leasing business, from Centura Bank. The acquisition added approximately 400 customers and $93 million of assets to the Company's leasing customer base in the Raleigh and Charlotte, North Carolina, Greenville, North Carolina, and southern Virginia commercial markets. Total consideration for the acquisition was $36.5 million, paid by the issuance of 392,990 shares of *e*Plus inc. common stock valued at $3,900,426 (based on $9.925 per share), subordinated debt of $3,064,574 and $29,535,001 in cash. The subordinated debt bears annual interest at 11%, payable monthly, and the principal repayment is due on October 10, 2006. The note may be prepaid in whole at anytime at its par value. The cash portion was partially financed by a non-recourse borrowing under an agreement with Fleet Business Credit Corporation, which provided $27,799,499 of cash at 7.25% and is collateralized by certain CLG, Inc. leases. Goodwill of $6,444,447 is being amortized on a straight-line basis over a fifteen year period. As of March 31, 2000, the net balance of such goodwill is

$6,229,462. Concurrent with the acquisition, CLG, Inc. was merged into MLC Group, Inc., a wholly-owned subsidiary of *e*Plus inc. See Note 12.

ASSET PURCHASE - On July 12, 1999, the Company purchased certain assets and the sales operations of Daghigh Software Company, Inc., which operated its technology sales business as International Computer Networks and as ICN in the metropolitan Washington, DC area. The total consideration of $751,452 consisted of $251,452 in cash and a $500,000, 8% interest bearing, non-negotiable promissory note, payable monthly, which matures on August 9, 2000. The assets and staff were merged into PC Plus, Inc., a wholly-owned subsidiary of the Company. Goodwill of $635,441 related to this asset purchase is being amortized on a straight-line basis over a fifteen year period. As of March 31, 2000, the net balance of such goodwill is $593,078.

REVENUE RECOGNITION - The Company sells information technology equipment to its customers and recognizes revenue from equipment sales at the time equipment is accepted by the customer. The Company is the lessor in a number of its transactions and these are accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases." Each lease is classified as either a direct financing lease, sales-type lease, or operating lease, as appropriate. Under the direct financing and sales-type lease methods, the Company records the net investment in leases, which consists of the sum of the minimum lease term payments, initial direct costs, and unguaranteed residual value (gross investment) less the unearned income. The difference between the gross investment and the cost of the leased equipment for direct finance leases is recorded as unearned income at the inception of the lease. The unearned income is amortized over the life of the lease using the interest method. Under sales-type leases, the difference between the fair value and cost of the leased property (net margins) is recorded as revenue at the inception of the lease. No sales-type leases have been consummated during the three years ended March 31, 2000. The Company adopted SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" effective January 1, 1997. This standard establishes new criteria for determining whether a transfer of financial assets in exchange for cash or other consideration should be accounted for as a sale or as a pledge of collateral in a secured borrowing. Certain assignments of direct finance leases made on a non-recourse basis by the Company after December 31, 1996 meet the criteria for surrender of control set forth by SFAS No. 125 and have therefore been treated as sales for financial statement purposes. SFAS No. 125 prohibits the retroactive restatement of transactions consummated prior to January 1, 1997 which would have otherwise met the requirements of a sale under the standard.

Sales of leased equipment represents revenue from the sales of equipment subject to a lease in which the Company is the lessor. If the rental stream on such lease has non-recourse debt associated with it, sales revenue is recorded at the amount of consideration received, net of the amount of debt assumed by the purchaser. If there is no non-recourse debt associated with the rental stream, sales revenue is recorded at the amount of gross consideration received, and costs of sales is recorded at the book value of the lease. Sales of equipment represents revenue generated through the sale of equipment sold primarily through the Company's technology business unit. For equipment sold through the Company's technology business unit subsidiaries, the dealer margin is presented in equipment sales revenue and cost of equipment sales.

Lease revenues consist of rentals due under operating leases and amortization of unearned income on direct financing and sales-type leases. Equipment under operating leases is recorded at cost and depreciated on a straight-line basis over the lease term to the Company's estimate of residual value.

The Company assigns all rights, title, and interests in a number of its leases to third-party financial institutions without recourse. These assignments are accounted for as sales since the Company has completed its obligations at the assignment date, and the Company retains no ownership interest in the equipment under lease.

Amounts charged for the Company's electronic commerce business unit's Procur*e*+ service are recognized as services are rendered. Amounts charged for the Manag*e*+ service are recognized on a straight line basis over the period the services are provided.

RESIDUALS - Residual values, representing the estimated value of equipment at the termination of a lease, are recorded in the financial statements at the inception of each sales-type or direct financing lease as amounts estimated by management based upon its experience and judgment. The residual values for operating leases are included in the leased equipment's net book value.

The Company evaluates residual values on an ongoing basis and records any required adjustments. In accordance with generally accepted accounting principles, no upward revision of residual values is made subsequent to the period of the inception of the lease. Residual values for sales-type and direct financing leases are recorded at their net present value and the unearned interest is amortized over the life of the lease using the interest method.

RESERVE FOR CREDIT LOSSES - The reserve for credit losses (the "reserve") is maintained at a level believed by management to be adequate to absorb potential losses inherent in the Company's lease and accounts receivable portfolio. Management's determination of the adequacy of the reserve is based on an evaluation of historical credit loss experience, current economic conditions, volume, growth, the composition of the lease portfolio, and other relevant factors. The reserve is increased by provisions for potential credit losses charged against income. Accounts are either written off or written down when the loss is both probable and determinable, after giving consideration to the customer's financial condition, the value of the underlying collateral and funding status (i.e., discounted on a non-recourse or recourse basis). As of March 31, 1999 and 2000, the Company's reserve for credit losses was $727,593 and $2,658,846, respectively.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents include short-term repurchase agreements with an original maturity of three months or less.

INVENTORIES - Inventories are stated at the lower of cost (weighted average basis) or market.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years.

INCOME TAXES - Deferred income taxes are accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred income tax liabilities and assets are based on the difference between financial statement and tax bases of assets and liabilities, using tax rates currently in effect. The

Company acquired two companies which were accounted for under the pooling of interests method. Prior to their business combinations with the Company, the two companies had elected to be taxed under the provisions of Subchapter "S" of the Internal Revenue Code. Under this election, each company's income or loss was included in the taxable income of the stockholders. See Note 8.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS - Certain items have been reclassified in the March 31, 1998 and 1999 financial statements to conform to the March 31, 2000 presentation.

EARNINGS PER SHARE - Earnings per share have been calculated in accordance with SFAS No. 128, "Earnings per Share." In accordance with SFAS No. 128, basic EPS amounts were calculated based on weighted average shares outstanding of 6,031,088 in fiscal 1998, 6,769,732 in fiscal 1999, and 7,698,287 in fiscal 2000. Diluted EPS amounts were calculated based on weighted average shares outstanding and common stock equivalents of 6,143,017 in fiscal 1998, 6,827,528 in fiscal 1999, and 9,155,056 in fiscal 2000. Additional shares included in the diluted earnings per share calculations are attributable to incremental shares issuable upon the assumed exercise of stock options and other common stock equivalents.

CAPITAL STRUCTURE - On October 23, 1998, the Company sold 1,111,111 shares of common stock for a price of $9.00 per share to TC Plus LLC, a Delaware limited liability company (formerly TC Leasing LLC). In addition, the Company granted TC Plus LLC stock purchase warrants granting the right to purchase an additional 1,090,909 shares of common stock at a price of $11.00 per share, subject to certain anti-dilution adjustments. The warrant is exercisable through December 31, 2001, unless it is extended under the terms of the warrant. Pursuant to a purchase agreement, the Company's ability to pay dividends was restricted through October 23, 1999. On February 25, 2000, the Company entered into an agreement, which was amended April 11, 2000, which allowed TC Plus LLC to exercise the warrants on a cashless basis at an exercise price of $11.00 per share, contingent upon the Company's completion of a secondary offering. On April 11, 2000, TC Plus LLC exercised their options on a cashless basis and were issued 709,956 shares of common stock.

On July 1, 1997, the Company sold 161,329 shares of common stock to a single investor for $12.40 per share.

NEW ACCOUNTING PRONOUNCEMENTS - In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The statement requires companies to recognize all derivatives as either assets or liabilities, with the instruments measured at fair value. The accounting for changes in fair value and gains and losses depends on the intended use of the derivative and its resulting designation. The statement was originally effective for fiscal years beginning after June 15, 1999. In June 1999, FASB delayed implementation of this statement by one year, to June 15, 2000. The Company will adopt SFAS No. 133 in the first quarter of fiscal year 2002 and is evaluating the impact that implementation of this statement will have on its consolidated financial statements.

2. INVESTMENT IN DIRECT FINANCING AND SALES-TYPE LEASES

The Company's investment in direct financing and sales-type leases consists of the following components:

	As of March 31, 1999	As of March 31, 2000
	(In Thousands)	
Minimum lease payments	$ 75,449	$ 213,284
Estimated unguaranteed residual value	17,777	33,584
Initial direct costs, net of amortization (1)	1,606	2,958
Less: Unearned lease income	(10,915)	(26,093)
Reserve for credit losses	(546)	(1,848)
Investment in direct finance and sales-type leases, net	$ 83,371	$ 221,885

(1) Initial direct costs are shown net of amortization of $2,590 and $3,686 at March 31, 1999 and 2000, respectively.

Future scheduled minimum lease rental payments as of March 31, 2000 are as follows:

	(In Thousands)
Year ending March 31, 2001	$ 112,343
2002	70,817
2003	25,145
2004	3,348
2005 and thereafter	1,631
	$ 213,284

The Company's net investment in direct financing and sales-type leases is collateral for non-recourse and recourse equipment notes. See Note 5.

3. INVESTMENT IN OPERATING LEASE EQUIPMENT

Investment in operating leases primarily represents equipment leased for two to three years and leases that are short term renewals on month-to-month status. The components of the net investment in operating lease equipment are as follows:

	As of March 31,	
	1999	2000
	(In Thousands)	
Cost of equipment under operating leases	$ 8,742	$ 26,979
Intial direct costs	21	19
Less: Accumulated depreciation and amortization	(5,233)	(16,884)
Investment in operating lease equipment, net	$ 3,530	$ 10,114

As of March 31, 2000, future scheduled minimum lease rental payments are as follows:

	(In Thousands)
Year ending March 31, 2001	$ 5,679
2002	2,856
2003	674
2004	52
	$ 9,261

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	As of March 31,	
	1999	2000
	(In Thousands)	
Furniture, fixtures and equipment	$ 2,333	$ 3,086
Vehicles	139	140
Capitalized software	635	1,350
Leasehold improvements	193	241
Less: Accumulated depreciation and amortization	(1,282)	(1,921)
Property and equipment, net	$ 2,018	$ 2,896

Recourse and non-recourse obligations consist of the following:

	As of March 31, 1999	As of March 31, 2000
	(In Thousands)	
Recourse equipment notes secured by related investments in leases with varying interest rates ranging from 6.9% to 7.9% in fiscal years 1999 and 2000	$ 497	$ 637
Recourse line of credit with a maximum balance of $50,000,000 bearing interest at the LIBOR rate plus 150 basis points, or, at the Company's option, prime less 1/2% expiring December, 1999	18,000	0
Recourse line of credit with a maximum balance of $65,000,000 bearing interest at the LIBOR rate plus 150 basis points, or, at the Company's option, prime less 1/2% expiring December, 2000	0	34,5000
Recourse line of credit with a maximum balance of $2,500,000 bearing interest at prime	175	0
Recourse equipment notes with varying interest rates ranging from 7.13% to 8.25%, secured by related investment in equipment	409	316
Promissory notes with interest rate of 8% per terms and conditions of the Asset Purchase Agreement between *e*Plus Technology, inc and Daghigh Software Company, Inc.	0	500
Recourse note payable secured by investment in leases with 11% interest payable monthly, and principal balance due October, 2006	0	3,064
Total recourse obligations	$ 19,081	$ 39,017
Non-recourse equipment notes secured by related investments in leases with interest rates ranging from 5.14% to 10.95% in fiscal years 1999 and 2000	$ 52,429	$ 182,845

Principal and interest payments on the recourse and non-recourse notes payable are generally due monthly in amounts that are approximately equal to the total payments due from the lessee under the leases that collateralize the notes payable. Under recourse financing, in the event of a default by a lessee, the lender has recourse against the lessee, the equipment serving as collateral, and the borrower. Under non-recourse financing, in the event of a default by a lessee, the lender generally only has recourse against the lessee, and the equipment serving as collateral, but not against the borrower.

Borrowings under the Company's $65 million line of credit are subject to certain covenants regarding minimum consolidated tangible net worth, maximum recourse debt to worth ratio, cash flow coverage, and minimum interest expense coverage ratio. The borrowings are secured by the Company's assets such as leases, receivables, inventory, and equipment. Borrowings are limited to the Company's collateral base, consisting of equipment, lease receivables and other current assets, up to a maximum of $65 million. In addition, the credit agreement restricts, and under some circumstances prohibits, the payment of dividends.

Recourse and non-recourse notes payable as of March 31, 2000, mature as follows:

	Recourse Notes Payable	Non-recourse Notes Payable
	(In Thousands)	
Year ending March 31, 2001	$ 35,473	$ 94,538
2002	53	61,583
2003	195	23,423
2004	231	2,580
2005 and thereafter	3,065	721
	$ 39,017	$ 182,845

6. RELATED PARTY TRANSACTIONS

The Company provided loans and advances to employees and/or stockholders, the balances of which amounted to $20,078 and $94,693 as of March 31, 1999 and 2000, respectively. Such balances are to be repaid from commissions earned on successful sales or financing arrangements obtained on behalf of the Company, or via scheduled payroll deductions.

As of March 31, 1999 and 2000, the Company's other assets includes $100,602 and $99,219 payable to United Federal Leasing, which is owned in part by an individual related to a Company executive. During the year ended March 31, 1998, the Company recognized re-marketing fees of $561,000 from United Federal Leasing.

At March 31, 1999 accrued expenses and other liabilities include $19,416 due to a company in which an employee/stockholder has a 45% ownership interest. During the years ended March 31, 1998 and 1999, the Company recognized remarketing fees from the company amounting to $216,828 and $88,180, respectively. During the year ended March 31, 2000, the Company advanced money to an entity in which the Company owns a stock purchase warrant. As of March 31, 2000, the balance of advances to this entity was $816,506, and is included in notes receivable in the Company's consolidated balance sheet.

During the year ended March 31, 1998, the Company sold leased equipment to MLC/GATX Limited

Partnership I (the "Partnership"), in which the Company has a 9.5% limited partnership interest in and owns a 50% interest in the corporation that owns a 1% general partnership interest in the Partnership. Revenue recognized from the sale was $406,159, and the basis of the equipment sold was $372,306 for the year ended March 31, 1998. Other assets include $6,989 due from the Partnership as of March 31, 1999. The Company received $104,277 for the year ended March 31, 1998 and $-0- for the years ended March 31, 1999 and 2000, for accounting and administrative services provided to the Partnership.

During the years ended March 31, 1998 and 1999 the recoverability of certain capital contributions made by the Company to the Partnership was determined to be impaired. As a result, the Company recognized a write-down of its recorded investment balance of $105,719 and $161,387 to reflect the revised net realizable value. These write-downs were included in cost of sales in the consolidated statements of earnings.

During the years ended March 31, 1998, 1999, and 2000, the Company sold leased equipment to MLC/CLC LLC, a joint venture in which the Company has a 5% ownership interest, that amounted to 38%, 42% and 11% of the Company's revenues, respectively. Revenue recognized from the sales was $44,784,727, $81,089,883, and $28,666,120 respectively. The basis for the equipment sold was $44,353,676, $80,510,214, and $28,033,282, respectively. Notes receivable includes $518,955 and $169,261 due from the partnership as of March 31, 1999 and 2000. Other assets reflects the investment in the joint venture of $1,389,065 and $1,608,669, as of March 31, 1999 and 2000, respectively, accounted for using the cost method. The Company receives an origination fee on leased equipment sold to the joint venture. In addition, the Company recognized $170,709, $301,708 and $310,879 for the years ended March 31, 1998, 1999 and 2000 for accounting and administrative services provided to MLC/CLC LLC.

The Company leases certain office space from entities which are owned, in part, by executives of subsidiaries of the Company. During the years ended March 31, 1998, 1999, and 2000, rent expense paid to these related parties was $306,479, $269,558, and $228,000, respectively.

The Company is reimbursed for certain general and administrative expenses by a company owned, in part, by an executive of a subsidiary of the Company. The reimbursements totaled $81,119, $25,500, and $-0- for the years ended March 31, 1998, 1999 and 2000.

7. COMMITMENTS AND CONTINGENCIES

The Company leases office space and certain office equipment for the conduct of its business. Rent expense relating to these operating leases was $505,032, $629,456, and $799,384 for the years ended March 31, 1998, 1999, and 2000, respectively. As of March 31, 2000, the future minimum lease payments are due as follows:

	(In Thousands)
Year ending March 31, 2001	$ 942,067
2002	591,083
2003	353,731
2004	350,303
	$ 2,237,184

8. INCOME TAXES

A reconciliation of income tax computed at the statutory Federal rate to the provision for income tax included in the consolidated statements of earnings is as follows:

	For the Year Ended March 31, 1998	1999	2000
Statutory Federal income tax rate	34%	34%	34%
Income tax expense computed at the statutory Federal rate	$ 2,968,195	$ 3,840,331	$ 4,845,186
Income tax expense based on the statutory Federal rate for subsidiaries which were Sub-S prior to their combination with the Company	(568,893)	(-0-)	(-0-)
State income tax expense, net of Federal tax	250,692	528,447	546,709
Non-taxable interest income	(35,350)	(16,137)	(20,566)
Non-deductible expenses	76,246	225,984	503,866
Provision for income taxes	$ 2,690,890	$ 4,578,625	$ 5,875,195
Effective tax rate	30.8%	40.58%	41.23%

The components of the provision for income taxes are as follows:

	For the Year Ended March 31, 1998	1999	2000
Current:			
Federal	$ 1,669	$ 2,519	$ 7,126
State	125	255	1,278
	1,794	2,774	8,404
Deferred:			
Federal	$ 802	$ 1,259	$ (2,080)
State	95	546	(449)
	897	1,805	(2,529)
	$ 2,691	$ 4,579	$ 5,875

The components of the deferred tax expense (benefit) resulting from net temporary differences are as follows:

	For the Year Ended March 31, 1998	1999	2000
	(In Thousands)		
Alternative minimum tax	$ 18	$ (1,307)	$ (161)
Lease revenue recognition	797	3,083	(1,681)
Other	82	29	(687)
	$ 897	$ 1,805	$ (2,529)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of items comprising the Company's deferred tax liability consist of the following:

	For the Year Ended March 31, 1998	1999	2000
	(In Thousands)		
Alternative minimum tax	$ 232	$ 1,539	$ 1,701
Lease revenue recognition	(1,637)	(4,720)	(3,039)
Other	(82)	(111)	576
	$ (1,487)	$ (3,292)	$ (762)

During the year ended March 31, 1998, the Company entered into business combinations with companies which, prior to their combination with the Company, had elected to be treated as Sub-chapter "S" ("Sub-S") corporations. As Sub-S corporations, taxable income and losses were passed through the corporate entity to the individual shareholders. These business combinations were accounted for using the pooling of interests method. Therefore, the consolidated financial statements do not reflect a provision for income taxes relating to the pooled companies for the periods prior to their combination with the Company.

In accordance with SFAS No. 109, the following pro forma income tax information is presented as if the pooled companies had been subject to federal income taxes throughout the periods presented.

	For the Year Ended March 31, 1998		1999		2000
Net earnings before pro forma adjustment	$ 6,039,094	$	6,716,467	$	8,375,368
Additional provision for income taxes	(613,261)		0		0
Pro forma net earnings	$ 5,425,833	$	6,716,467	$	8,375,368

9. NONCASH INVESTING AND FINANCING ACTIVITIES

The Company recognized a reduction in recourse and non-recourse notes payable (Note 5) associated with its direct finance and operating lease activities from payments made directly by customers to third-party lenders amounting to $5,258,955, $10,733,555 and $28,739,422 for the years ended March 31, 1998, 1999, and 2000, respectively. In addition, the Company realized a reduction in recourse and non-recourse notes payable from the sale of the associated assets and liabilities amounting to $1,057,389, $10,231,793 and $22,727,174 for the years ended March 31, 1998, 1999 and 2000, respectively.

10. BENEFIT AND STOCK OPTION PLANS

The Company provides its employees with contributory 401(k) profit sharing plans. To be eligible to participate in the plan, employees must be at least 21 years of age and have completed a minimum service requirement. Full vesting in the plans vary from after the fourth to the sixth consecutive year of plan participation. Employer contributions percentages are determined by the Company and are discretionary each year. The Company's expense for the plans was $80,291, $104,617 and $88,500 for the years ended March 31, 1998, 1999 and 2000, respectively.

The Company has established a stock incentive program (the "Master Stock Incentive Plan") to provide an opportunity for directors, executive officers, independent contractors, key employees, and other employees of the Company to participate in the ownership of the Company. The Master Stock Incentive Plan provides for the award to eligible directors, employees, and independent contractors of the Company, of a broad variety of stock-based compensation alternatives under a series of component plans. These component plans include tax advantaged incentive stock options for employees under the Incentive Stock Option Plan, formula length of service based nonqualified options to non-employee directors under the Outside Director Stock Plan, non-qualified stock options under the Nonqualified Stock Option Plan, a program for employee purchase of Common Stock of the Company at 85% of fair market value under a tax advantaged Employee Stock Purchase Plan approved by the Board of Directors and effective September 16, 1998, as well as other restrictive stock and performance based stock awards and programs which may be established by the Board of Directors. The aggregate number of shares reserved for grant under all plans which are a part of the Master Stock Incentive Plan represent a floating number equal to 20% of the issued and outstanding stock of the Company (after giving effect to pro forma assumed exercise of all outstanding options and purchase rights). The number that may be subject to options granted under the Incentive Stock Option Plan is also further capped at a maximum of 4,000,000 shares to comply with IRS requirements for a specified maximum. As of March 31, 2000 a total of 2,040,648 shares of common stock have been reserved for issuance upon exercise of options granted under the Plan, which encompasses the following component plans:

a) the Incentive Stock Option Plan ("ISO Plan"), under which 999,182 options are outstanding or have been exercised as of March 31, 2000;

b) the Nonqualified Stock Option Plan ("Nonqualified Plan"), under which 265,000 options are outstanding as of March 31, 2000;

c) the Outside Director Stock Option Plan ("Outside Director Plan"), under which 73,507 are outstanding or have been exercised as of March 31, 2000;

d) the Employee Stock Purchase Plan ("ESPP") under which 47,805 shares have been issued as of March 31, 2000.

The exercise price of options granted under the Master Stock Incentive Plan is equivalent to the fair market value of the Company's stock on the date of grant, or, in the case of the ESPP, not less than 85% of the lowest fair market value of the Company's stock during the purchase period, which is generally six months. Options granted under the plan have various vesting schedules with vesting periods ranging from one to five years. The weighted average fair value of options granted during the years ended March 31, 1998, 1999 and 2000 was $4.84, $3.69 and $5.50 per share, respectively.

A summary of stock option activity during the three years ended March 31, 2000 is as follows:

	Number of Shares	Excercise Price Range	Weighted Average Exercise Price
Outstanding, April 1, 1997	353,800		
Options granted	277,200	$10.75 - $13.25	$11.94
Options exercised	(200)	$8.75	$8.75
Options forfeited	(18,900)	$8.75 - $13.00	$11.18
Outstanding, March 31, 1998	611,900		
Exercisable, March 31, 1998	199,540		
Outstanding, April 1, 1998	611,900		
Options granted	275,507	$7.25 - $13.63	$9.89
Options exercised	(10,500)	$8.75	$8.75
Options forfeited	(97,000)	$8.75 - $13.50	$12.57
Outstanding, March 31, 1999	779,907		
Exercisable, March 31, 1999	326,566		
Outstanding, April 1, 1999	779,907		
Options granted	576,400	$7.75 - $21.25	$8.08
Options exercised	(61,044)	$7.25 - $12.25	$10.84
Options forfeited	(29,318)	$8.75 - $13.00	$9.28
Outstanding, March 31, 2000	1,265,945		
Exercisable, March 31, 2000	448,513		

Additional information regarding options outstanding as of March 31, 2000 is as follows:

Options Outstanding			Options Exercisable	
Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
1,265,945	7.2 years	$8.81	448,513	$9.14

Effective April 1, 1996, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation." This Statement gave the Company the option of either (1) continuing to account for stock-based employee compensation plans in accordance with the guidelines established by Accounting Principles Board ("APB") No. 25, "Accounting for Stock Issued to Employees" while providing the disclosures required under SFAS No. 123, or (2) adopting SFAS No. 123 accounting for all employee and non-employee stock compensation arrangements. The Company opted to continue to account for its stock-based awards using the intrinsic value method in accordance with APB No. 25. Accordingly, no compensation expense has been recognized in the financial statements for employee stock arrangements. Option grants made to non-employees, including outside directors, which have been accounted for using the fair value method resulted in $113,982 in compensation expense during the year ended March 31, 1998. The following table summarizes the pro forma disclosures required by SFAS No. 123 assuming the Company had adopted the fair value method for stock-based awards to employees as of the beginning of fiscal year 1998:

	For the Year Ended March 31,		
	1998	1999	2000
Net earnings, as reported	$ 6,039,094	$ 6,716,467	$ 8,375,368
Net earnings, pro forma	5,346,761	5,687,667	6,861,422
Basic earnings per share, as reported	$ 1.09	$ 0.99	$ 1.09
Basic earnings per share, pro forma	0.89	0.84	0.89
Diluted earnings per share, as reported	$ 0.98	$ 0.98	$ 0.91
Diluted earnings per share, pro forma	0.87	0.83	0.75

Under SFAS No. 123, the fair value of stock-based awards to employees is derived through the use of option pricing models which require a number of subjective assumptions. The Company's calculations were made using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the Year Ended March 31,		
	1998	1999	2000
Options granted under the Incentive Stock Option Plan:			
Expected life of option	5 years	5 years	5 years
Expected stock price volatility	30.95%	37.02%	80.67%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	5.82%	5.46%	5.95%
Options granted under the Nonqualified Stock Option Plan:			
Expected life of option	8 years	5 years	-
Expected stock price volatility	30.95%	37.02%	-
Expected dividend yield	0%	0%	-
Risk-free interest rate	5.62%	-	-
Options granted under the Outside Director Stock Option Plan:			
Expected life of option	-	8 years	-
Expected stock price volatility	-	37.02%	-
Expected dividend yield	-	0%	-
Risk-free interest rate	-	4.95%	-

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of the Company's financial instruments is in accordance with the provisions of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." The valuation methods used by the Company are set forth below.

The accuracy and usefulness of the fair value information disclosed herein is limited by the following factors:

- These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

- These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holding of a particular financial asset.

- SFAS No. 107 excludes from its disclosure requirements lease contracts and various significant assets and liabilities that are not considered to be financial instruments.

Because of these and other limitations, the aggregate fair value amounts presented in the following table do not represent the underlying value of the Company.

The carrying amounts and estimated fair values of the Company's financial instruments are as follows:

	As of March 31, 1999 Carrying Amount	As of March 31, 1999 Fair Value	As of March 31, 2000 Carrying Amount	As of March 31, 2000 Fair Value
	(In Thousands)			
Assets:				
Cash and cash equivalents	$ 7,892	$ 7,892	$ 21,910	$ 21,910
Liabilities:				
Non-recourse notes payable	52,429	55,341	182,845	177,954
Recourse notes payable	19,081	19,092	39,017	39,024

12. BUSINESS COMBINATIONS

During the year ended March 31, 1999, the Company acquired PC Plus, Inc., a value-added reseller of personal computers, related network equipment and software products and provider of various support services. This business combination has been accounted for as a purchase.

During the year ended March 31, 2000, the Company purchased all of the stock of CLG, Inc., a technology equipment leasing business, from Centura Bank. This business acquisition has been accounted for as a purchase.

The following pro forma financial information presents the combined results of operations of PC Plus, Inc. and CLG, Inc. as if the acquisitions had occurred as of the beginning of the twelve months ended March 31, 1999 and 2000, after giving effect to certain adjustments, including amortization of goodwill. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company, PC Plus, Inc. and CLG, Inc. constituted a single entity during such periods.

	(Unaudited) Year Ended March 31 1999	(Unaudited) Year Ended March 31 2000
	(In thousands, except per share data)	
Total Revenues	$ 244,319	$ 280,732
Net Earnings	7,509	7,977
Net Earnings per Common Share - Basic	1.05	1.04
Net Earnings per Common Share - Diluted	1.04	0.87

13. PRIVATE PLACEMENTS OF COMMON STOCK AND WARRANT

On July 1, 1997, the Company sold 161,329 shares of common stock to a single investor for a price of $9.00 per share.

On October 23, 1998, the Company sold 1,111,111 shares of common stock to TC Leasing LLC, a Delaware limited liability company, for a price of $9.00 per share. In addition, the Company granted to TC Leasing LLC, a stock purchase warrant granting the right to purchase an additional 1,090,909 shares of common stock at a price of $11.00 per share, subject to certain anti-dilution adjustments. The warrant was exercisable through December 31, 2001, unless extended pursuant to the terms of the warrant. On February 25, 2000, the Company entered into an agreement, which was amended April 11, 2000, which allowed TC Plus LLC (formerly TC Leasing LLC) to exercise the warrants on a cashless basis at an exercise price of $11.00 per share, contingent upon the Company's completion of a secondary offering. On April 11, 2000, TC Plus LLC exercised their options on a cashless basis and were issued 709,956 shares of common stock. Pursuant to the terms of this private placement, the Company agreed to expand its Board of Directors to six persons, four of whom shall be appointed, in whole or in part, by TC Plus LLC. Additionally, the terms of the private placement restricted the Company's ability to pay dividends until October 23, 1999 without the consent of TC Plus LLC.

On December 10, 1999 the Company issued a purchase warrant to an outside business partner. The warrant allows the holder to purchase 7,500 shares of the Company's common stock at a price of $23.00 per share and expires December 10, 2009.

14. SEGMENT REPORTING

The Company manages its business segments on the basis of the products and services offered. The Company's reportable segments consist of its traditional financing and technology business units (previously known as the lease financing and value added reselling segments), as well as its newly created electronic commerce ("e-commerce") business unit. The financing business unit offers lease financing solutions to corporations and governmental entities nationwide. The technology business unit sells information technology equipment and related services primarily to corporate customers in the eastern United States. The e-commerce business unit provides Internet-based business-to-business supply chain management solutions for information technology and other operating resources. The Company evaluates segment performance on the basis on segment net earnings.

Sales of equipment for the e-commerce business unit represents customer equipment purchases executed through Procur*e*+, and an element of the Company's e-commerce business solution. The amounts charged for using Procur*e*+ are presented as *e*PlusSuite revenues in the statement of earnings. The e-commerce business unit's assets consist primarily of capitalized software costs.

The accounting policies of the segments are the same as those described in Note 1, "Organization and Summary of Significant Accounting Policies." Corporate overhead expenses are allocated on the basis of revenue volume, estimates of actual time spent by corporate staff, and asset utilization, depending on the type of expense.

	Financing Business Unit	Technology Business Unit	E-commerce Business Unit	Total
	(In Thousands)			
Twelve months ended March 31, 1998				
Sales of equipment	$ 8,450,633	$ 38,968,482	$ -	$ 47,419,115
Sales of leased equipment	50,362,055	-	-	50,362,055
Lease revenues	14,882,420	-	-	14,882,420
Fee and other income	3,483,215	2,295,470	-	5,778,685
Total revenues	77,178,323	41,263,952	-	118,442,275
Cost of sales	56,736,836	30,355,317	-	87,092,153
Direct lease costs	5,409,338	-	-	5,409,338
Selling, general and administrative expenses	7,157,552	8,216,292	-	15,373,844
Segment earnings	7,874,597	2,692,343	-	10,566,940
Interest expense	1,732,067	104,889	-	1,836,956
Earnings before income tax	6,142,530	2,587,454	-	8,729,984
Assets	$ 75, 921,360	$ 7,274,255	$ -	$ 83,195,615
Twelve months ended March 31, 1999				
Sales of equipment	$ 2,427,196	$ 81,089,058	$ -	$ 83,516,254
Sales of leased equipment	84,378,800	-	-	84,378,800
Lease revenues	20,610,542	-	-	20,610,542
Fee and other income	2,945,225	2,519,017	-	5,464,242
Total revenues	110,361,763	83,608,075	-	193,969,838
Cost of sales	85,124,386	69,511,814	-	154,636,200
Direct lease costs	6,183,562	-	-	6,183,562
Selling, general and administrative expenses	7,038,094	11,215,542	-	18,253,636
Segment earnings	12,015,721	2,880,719	-	14,896,440
Interest expense	3,367,149	234,199	-	3,601,348
Earnings before income tax	8,648,572	2,646,520	-	11,295,092
Assets	$127,784,876	$ 26,573,722	$ -	$154,358,598

	Financing Business Unit	Technology Business Unit	E-commerce Business Unit	Total
		(In Thousands)		
Twelve months ended March 31, 2000				
Sales of equipment	$ 2,103,603	$156,735,622	$ 7,412,953	$166,252,178
Sales of leased equipment	57,360,603	-	-	57,360,366
Lease revenues	31,374,244	-	-	31,374,244
Fee and other income	1,365,675	7,005,440	-	8,371,115
*e*PlusSuite revenues	-	-	1,375,901	1,375,901
Total revenues	92,203,888	163,741,062	8,788,854	264,733,804
Cost of sales	56,796,063	139,431,514	6,435,776	202,663,353
Direct lease costs	8,025,343	-	-	8,025,343
Selling, general and administrative expenses	11,643,013	16,052,509	709,342	28,404,864
Segment earnings	15,739,469	8,257,039	1,643,736	25,640,244
Interest expense	11,016,120	373,562	-	11,389,682
Earnings before income tax	4,723,349	7,883,477	1,643,736	14,250,562
Assets	$295,161,280	$ 49,644,139	$ 529,329	$345,334,748

15. SUBSEQUENT EVENT

On April 17, 2000 the Company completed a secondary offering of 1,000,000 shares of its common stock at a price of $28.00 per share. Net proceeds to the Company were $25,999,884.

16. QUARTERLY DATA - UNAUDITED

Condensed quarterly financial information is as follows (amounts in thousands, except per share amounts). Adjustments reflect the results of operations of business combinations accounted for under the pooling of interests method and the reclassification of certain prior period amounts to conform with current period presentation.

	First Quarter		
	Previously Reported	Adjustments	Adjusted Amount
Year Ended March 31, 1999			
Sales	$ 35,185	-	$ 35,185
Total revenue	41,583	-	41,583
Cost of sales	33,097	-	33,097
Total costs and expenses	39,143	-	39,143
Earnings before provision for income taxes	2,440	-	2,440
Provision for income taxes	976	-	976
Net earnings	1,464	-	1,464
Net earnings per common share - Basic (1)	$ 0.24		$ 0.24
Year Ended March 31, 2000			
Sales	$ 47,562	(408)	$ 47,154
Total revenue	54,363	(408)	53,955
Cost of sales	43,925	(408)	43,517
Total costs and expenses	51,859	(408)	51,451
Earnings before provision for income taxes	2,504	-	2,504
Provision for income taxes	1,002	-	1,002
Net earnings	1,502	-	1,502
Net earnings per common share - Basic (1)	$ 0.20		$ 0.24

	Second Quarter		
	Previously Reported	Adjustments	Adjusted Amount
Year Ended March 31, 1999			
Sales	$ 31,479	-	$ 31,479
Total revenue	38,001	-	38,001
Cost of sales	28,065	-	28,065
Total costs and expenses	35,268	-	35,268
Earnings before provision for income taxes	2,733	-	2,733
Provision for income taxes	1,093	-	1,093
Net earnings	1,640	-	1,640
Net earnings per common share - Basic (1)	$ 0.26		$ 0.26
Year Ended March 31, 2000			
Sales	$ 52,621	(1,143)	$ 51,478
Total revenue	61,192	(1,143)	60,049
Cost of sales	47,778	(1,143)	46,635
Total costs and expenses	57,710	(1,143)	56,567
Earnings before provision for income taxes	3,482	-	3,482
Provision for income taxes	1,393	-	1,393
Net earnings	2,089	-	2,089
Net earnings per common share - Basic (1)	$ 0.28		$ 0.28

	Third Quarter		
	Previously Reported	Adjustments	Adjusted Amount
Year Ended March 31, 1999			
Sales	$ 63,689	-	$ 63,689
Total revenue	69,947	-	69,947
Cost of sales	59,625	-	59,625
Total costs and expenses	67,117	-	67,117
Earnings before provision for income taxes	2,830	-	2,830
Provision for income taxes	1,132	-	1,132
Net earnings	1,698	-	1,698
Net earnings per common share - Basic (1)	$ 0.24		$ 0.24
Year Ended March 31, 2000			
Sales	$ 63,549	(1,977)	$ 61,572
Total revenue	76,240	(1,977)	74,263
Cost of sales	57,625	(1,977)	55,648
Total costs and expenses	72,289	(1,977)	70,312
Earnings before provision for income taxes	3,951	-	3,951
Provision for income taxes	1,580	-	1,580
Net earnings	2,371	-	2,371
Net earnings per common share - Basic (1)	$ 0.30		$ 0.30

	Fourth Quarter		
	Previously Reported	Adjustments	Adjusted Amount
Year Ended March 31, 1999			
Sales	$ 37,542	-	$ 37,542
Total revenue	44,439	-	44,439
Cost of sales	33,849	-	33,849
Total costs and expenses	41,147	-	41,147
Earnings before provision for income taxes	3,292	-	3,292
Provision for income taxes	1,378	-	1,378
Net earnings	1,914	-	1,914
Net earnings per common share - Basic (1)	$ 0.25		$ 0.25
Year Ended March 31, 2000			
Sales	$ 63,409	-	$ 63,409
Total revenue	76,460	-	76,460
Cost of sales	56,860	-	56,860
Total costs and expenses	72,146	-	72,146
Earnings before provision for income taxes	4,314	-	4,314
Provision for income taxes	1,900	-	1,900
Net earnings	2,413	-	2,413
Net earnings per common share - Basic (1)	$ 0.30		$ 0.30

(1) The sum of quarterly amounts does not equal the annual amount due to quarterly calculations being based on varying average shares outstanding.

SCHEDULE II

ePlus inc. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE YEARS ENDED MARCH 31, 1998, 1999 AND 2000 (IN THOUSANDS)

		Column C - Additions			
Column A - Description	Column B Balance at beginning of period	(1) Charged to costs and expenses	(2) Charged to other accounts	Column D Deductions	Column E Balance at end of period
2000 Allowance for doubtful accounts and credit losses	$ 728	$ 733	$ 1,731	$ 533	$ 2,659
1999 Allowance for doubtful accounts and credit losses	$ 143	$ 56	-	$ 57	$ 142
1998 Allowance for doubtful accounts and credit losses	$ 142	$ 811	$ 75	$ 300	$ 728

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