2002

ANNUAL REPORT

ePlus inc.

AUGUST 2002

A Letter To Our Shareholders:

ePlus recorded record net earnings for its fiscal year ending March 31, 2002, a notable achievement during a year of economic turmoil. As a result of our diversified businesses, on-balance sheet earning assets, and products (whose cost-savings focus may have greater marketplace acceptance in a challenging economy), net earnings increased 7% to $8.9 million. Revenues declined 33% to $201 million, primarily attributable to a decline in sales of IT equipment in the overall economy.

We continue to focus on business lines that produce net earnings, and those businesses are continuing to grow. In FY2002, revenues from Sales of Equipment and Sales of Leased Equipment, which are high-dollar, low-margin revenues, declined 45%, while high-margin, low-dollar revenues, such as lease revenues, fees, and software revenues, increased 21%. The highest margin revenues, fees and other income, increased 39% to a record $19 million.

We saw major successes in our software applications business, as we completed the purchase of eProcurement and catalog content software from ProcureNet in May, 2001. This acquisition, and the subsequent integration with our core Manage+ product, allowed us to launch an industry leading suite of cost management solutions – ePlus Enterprise Cost Management (eECM) – in April of this year. The eECM framework for reducing costs throughout an enterprise combines all of ePlus' software, services, and domain expertise, and has great applicability for companies of all sizes. eECM is a great solution for customers who are focusing on reducing costs and minimizing IT investments.

ePlus has been and will continue to be a customer focused company. Our product set is built on customer needs; our acquisitions are to gain new customers in new markets and to add strategic products to help our customers; and about 1/3 of the employees in the company are in sales and marketing. We believe ePlus is beginning to be recognized as having the best end-to-end solution. In 2002, we continued to grow our national sales force through the hiring of almost 20 seasoned sales executives, and with the acquisition of the IT Services business of Elcom International and SourceOne, we expanded our footprint in the Northeast and northern and southern California markets.

As we look into the coming year, we believe ePlus is well positioned with customers to capture sales and cross-sell and up-sell ePlus products. The market is demonstrating a strong interest in our Enterprise Cost Management solutions, and we are continuously improving these solutions to meet their demands. Our balance sheet remains strong, with over $106 million in stockholder equity, and the majority of our lease portfolio is financed on a non-recourse basis. ePlus is positioned to gain new customers, increase revenues, and capture the future opportunity.

On behalf of ePlus, I would like to thank our employees, customers, and investors, for your confidence and continuing support of ePlus.

Phillip G. Norton
President and CEO

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, 2002

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 definitive proxy or information statements incorporated by reference in Part III of 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 21, 2002 was $49,684,987. The number of shares of Common Stock outstanding as of June 21, 2002, was 10,384,220.

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

***e*Plus inc. CORPORATE STRUCTURE**

*e*Plus inc. ("the Company" or "*e*Plus"), a Delaware corporation, was formed in 1996. The Company changed its name from MLC Holdings, Inc. to *e*Plus 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");
- *e*Plus Technology of NC, inc.;
- *e*Plus Technology of PA, inc.;
- *e*Plus Technology, inc.;
- *e*Plus Government, inc.;
- *e*Plus Capital, inc;
- *e*Plus Systems, inc.; and
- *e*Plus Content Services, inc.

*e*Plus Systems, inc. and *e*Plus Content Services, inc. were incorporated on May 15, 2001 and are the entities that hold certain assets and liabilities acquired from ProcureNet, Inc. *e*Plus Capital, inc. owns 100 percent of *e*Plus Canada Company which was created on December 27, 2001 to transact business within Canada. As of March 31, 2002, *e*Plus Canada Company had not yet initiated business activity and had no business locations. *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, 2002 but is expected to transact business in the near future. *e*Plus Group also has a 5% membership interest in MLC/CLC LLC and serves as its manager. On October 22, 1997, the Company formed MLC Leasing, S.A. de C.V., which is jointly 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

The Company has acquired the following material entities or assets since 1997. The following is a recap of the acquisitions presented in chronological order.

Date Acquired	Acquisition	Major Business Locations	Accounting Method	Consideration
March 29, 2002	Certain assets and liabilities from Elcom International, Inc.'s IT fulfillment and professional service business (merged into *e*Plus Technology, inc. upon acquisition)	Boston, MA, Philadelphia, PA , San Diego, CA and New York City, NY	Purchase	$2,150,000 in cash plus the assumption of certain liabilities
October 4, 2001	SourceOne Computer Corporation (merged into *e*Plus Technology, inc. upon acquisition)	Campbell, CA	Purchase	274,999 shares of Common Stock valued at $2,007,500 and $800,006 in cash
May 15, 2001	Certain assets and liabilities from ProcureNet, Inc. (merged into newly created entities *e*Plus Systems, inc. and *e*Plus Content Services, inc.)	Avon, CT and Houston, TX	Purchase	442,833 shares of Common Stock valued at $3,873,150 and $1,000,000 in cash plus the assumption of certain liabilities
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
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

Date Acquired	Acquisition	Major Business Locations	Accounting Method	Consideration
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 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

OUR BUSINESS

*e*Plus has developed its Enterprise Cost Management model through development and acquisition of software, products, and business process services over the past five years. Its current offering includes IT sales and professional services, leasing and financing services, asset management software and services, procurement software, and electronic catalog content management software and services. We have been in the business of selling, leasing, financing, and managing information technology and other assets for over ten years and currently derive the majority of our revenues from such activities. We sell primarily by using our internal sales force and through vendor relationships to commercial customers, federal, state and local governments, and higher education institutions. We also lease and finance equipment and supply software and services directly and through relationships with vendors, equipment manufacturers, and systems integrators.

*e*Plus Enterprise Cost Management ("*e*ECM") is positioned to provide a comprehensive offering of products and services to the targeted middle market and larger businesses, governments, and institutions. Enterprise Cost Management is a multi-disciplinary approach for implementing, controlling, and maintaining cost savings throughout an organization, including the costs of purchasing, lifecycle management, and financing. It represents the continued evolution of our original offering of *e*PlusSuite e-commerce products.

The key elements of our business and our Enterprise Cost Management solution are:

- **IT Sales**: We are an authorized reseller of the leading IT hardware and software products and have technical support personnel to support the sales and implementations.
- **Financial Services:** *e*Plus Financial Services offers a wide range of competitive and tailored financing options, including leases and financing for a wide variety of fixed assets.
- **eProcurement:** Procure+, our e-procurement software package, has sophisticated workflow, catalog management, and transaction management capabilities that provide customers with the tools to search, request, and acquire goods and services while instilling centralized control over enterprise purchases and processes.
- **Supplier Enablement:** Content+ is the catalog and content management software that contains over 250,000 pattern matching rules and 40,000 product classifications for content generation enabling customers to either use or provide enriched, parametrically searchable catalogs.

- **Asset Management:** Manage+ is our asset management software, which streamlines the tracking of a customer's assets and delivers valuable business intelligence for compliance, reporting, budgeting and planning.

- **Professional Services:** We provide an array of network engineering planning, data storage and system intrusion security management and monitoring, implementation and network imaging and maintenance services to support our customer base as part of our consolidated service offering.

- **Business Process Outsourcing:** We provide outsourced services to augment the *e*ECM solution for customers including payables processing, vendor management, contract compliance, invoice reconciliation, and document imaging.

The procurement software products and services, asset management and business process outsourcing are key functions of supporting and retaining customers for our sales and finance businesses. The Company has developed and acquired these products and services to distinguish *e*Plus from its competition to provide a comprehensive offering to customers. Our target customers are primarily middle-market and larger companies, with revenues between $25 million and $1 billion per year. We believe there are over 60,000 customers in this target market.

Our target customer has one or more of the following business characteristics that we believe qualifies us as a preferred solution:

- seeks a lower cost alternative to licensing enterprise software solutions while preserving the investment in legacy IT infrastructures;

- will benefit from the cost savings and efficiency gains that can be obtained from a solution which integrates e-procurement, asset management, catalog content functionality, electronic bill presentment and payment and financing;

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

- wants to lower its total cost of ownership of fixed assets by re-designing business processes and proactively managing its fixed asset base over the life of the asset; and

- seeks a comprehensive solution for its entire supply chain from selection, requisition, purchase, settlement, ownership, financing and disposal of assets.

See "Note 12 - SEGMENT REPORTING" in the attached consolidated financial statements. *e*Plus has two basic business segments. Our first segment is the financing business unit that consists of the equipment and financing business to both commercial and government-related entities and the associated business process outsourcing services. Our second segment is our technology sales business unit that includes all the technology sales and related services including the procurement, asset management, and catalog software sales and services.

INDUSTRY BACKGROUND

Growth of the Internet as a Communications Channel for Efficient Business-to-Business Electronic Commerce

The Internet is now a preferred channel for many business-to-business transactions for most organizations. In the intensely competitive business environment, businesses have increasingly adopted Internet-based software applications and related tools 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. Similar efforts have been made to improve the procurement process for operating resources in which we specialize, which include information technology and telecommunications equipment, office equipment and supplies and professional services. The purchase and sale of these goods comprise a large portion of business-to-business transactions.

Many organizations continue to 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 for use 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.

Opportunity for Business-to-Business Enterprise Cost Management Solutions

We believe that an opportunity exists to provide an Internet-based Enterprise Cost Management solution either in-house or 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 the customer’s preferred vendors.

THE *e*Plus SOLUTION

Our Enterprise Cost Management framework is designed to 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. *e*ECM provides customers visibility and control of transactions and owned assets and, as a suite of integrated business applications, reduces redundancies throughout their process. The *e*Plus offering currently includes Internet-based applications for the catalog content management, e-procurement, asset management, document imaging, electronic bill presentment and payment 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*Plus allows customers to automate and customize their existing business rules and procurement processes using an Internet-based workflow tool. We offer customers a choice of Internet products on a licensed basis or as a remotely-hosted solution, which can reduce the up-front costs for customers, facilitate a quick adoption, and eliminate the need for customers to maintain and update software. We believe our solution can be implemented faster with fewer programmers or developers than many competing solutions.

STRATEGY

Our goal is to become a leading provider of Enterprise Cost Management services. The key elements of our strategy include the following:

Convert current and future customers to our services

We have an existing client base of approximately 2,000 customers, the vast majority of which are based in the United States. 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 Enterprise Cost Management solution tailored to meet our customers' specific needs. We offer our software-based services through both a hosted version that can be obtained through a subscription fee basis or as a stand-alone product that can be licensed by the customer.

Expand our sales force and marketing activities

We currently have approximately 186 people in our sales and marketing function, which represents a substantial increase compared to the previous year of 117. We have expanded our presence in locations that have a high concentration of fast-growing middle and large market companies. In addition, we plan to add sales staff to certain key geographic areas. We will seek to hire experienced personnel with established customer relationships and with backgrounds in hardware and software sales and supply chain management. We may also selectively acquire companies that have attractive customer relationships, skilled sales forces or have technology or services that may enhance our Enterprise Cost Management offerings.

Expand the functionality of our Internet-based solutions

We will continue to improve our Enterprise Cost Management offering to expand its functionality to serve our customer’s needs. In addition, we intend to use the flexibility of our platform to offer additional products and services when economically feasible. As part of this strategy, we may also acquire technology companies to expand and enhance the platform of Enterprise Cost Management services to provide additional functionality and value added services.

DESCRIPTION OF ENTERPRISE COST MANAGEMENT ("ECM")

*e*ECM consists of six basic service products that have either been internally developed or have been acquired and incorporated into our total business process. The ECM framework consists of Procur*e*(+), Manag*e*(+), *e*Plus Leasing, Content(+), strategic sourcing and business process outsourcing. These combined services and software offerings are integrated so that each component links with and shares information. Procur*e*(+), Manag*e*(+) and Content(+) are the key parts of our software solution offerings and *e*Plus Leasing, strategic sourcing and business process outsourcing are the services provided by us. Pay(+) is our new electronic payment and presentment software which is currently being offered to several beta customers.

Procure(+). Procur*e*(+) represents our software solutions that offer 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 available as a stand-alone license or as a remotely-hosted solution under a subscription basis.

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. No coding or expensive programming is required at the customer level. Multiple business rules can be used, and the customer or *e*Plus can make changes. Approval thresholds and routing rules can be set by dollar amount, quantity, asset type or other criteria.

- 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.

- Multiple Currency-contains the ability to handle multiple currency issues.

The key benefits of Procur*e*(+) include:

- easy to use, either as an Internet-based interface that requires no software to be installed at a customer's location and limited training, or installed in-house and run on a customer's internal systems;

- easy implementation without the assistance or expense of third-party consultants as *e*Plus usually provides the configuration and implementation services;

• 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.

Content(+). Content(+) provides functionality to extract, cleanse, update, and syndicate electronic catalog content and related business information. The core to Content(+) is the program Common Language Generator (CLG), which incorporates a knowledge base of over 200,000 business rules and 44,000 commodity and class codes to automatically cleanse and classify suppliers' product content into categories that can be easily represented and searched in online catalogs. Content(+) is utilized by purchasing organizations for supplier enablement and by selling organizations for content syndication.

Content(+) is a software solution for clients that require in-house functionality to aggregate, normalize, enrich and manage data.

Components of Content+ provides the following information and services to the customer:

- *Common Language Generator (CLG)-* transforms unstructured and raw supplier data into a structured, enriched, and organized state for an eCommerce platform.

- C*ontent+ Maintenance*- the Content+ Maintenance Utility provides users with the ability to perform in-house catalog maintenance through a user-friendly interface that provides the ability to create, add, delete, modify data and track changes throughout a catalog.

- *Content+ Load-* imports supplier catalog files into the client's own internal catalog structure, simplifying content updates and the creation of catalogs.

- *Content Services and Management-* Content+ Services are designed to quickly augment the customer's content capabilities to meet their business requirements for building, loading, aggregating, publishing and syndicating data and achieve better search results with standardized, reusable product data, accurate data classifications, and highly enriched output. Most customers are provided an end-to-end content solution that is customized to fit their business requirements.

- *Catalog Hosting Services-* we also provide 24/7 operations and support with maintenance services for both content and catalogs. In addition, we can syndicate content to all formats, including XML, CSV, procurement applications, printed catalogs, and to widely used ERP and Accounting Systems.

- *Aggregation Services*- our services include contacting manufacturers and suppliers to retrieve and capture all relevant product information, including descriptions, images, and drawings. We also create data sources for future updates and maintenance of product descriptions.

- *Ready-to-Go Content-* *e*Plus has developed "ready-to-go" content which consists of one million items of product content that is enriched, classified, and eCommerce enabled. The content items span 44,000 categories encompassing most everything the average business needs to buy. *e*Plus Content currently offers its services and software solutions for both the buy and sell-side electronic commerce marketplace.

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 including other e-procurement or ERP systems can populate the Manag*e*(+) database to provide a seamless link. Manag*e*(+) is a remotely-hosted solution. 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.

- 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 assistance with application rollouts and the annual budgeting process.

ePlus Leasing. *e*Plus Leasing is our 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. *e*Plus Leasing allows customers to order equipment when desired and to 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 be invoiced by location, division, or business unit, if so desired by the customer. *e*Plus Leasing can help a customer simplify the process, lower costs and increase productivity.

We 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.

Other eECM Services. Our Business Process Outsourcing, network engineering, monitoring and maintenance and implementation service allows customers to obtain high-quality services that can be linked and consolidated with other components of our *e*ECM solution. Certain types of assets that are procured through Procur*e*(+) can be configured, imaged, staged, and installed by us on the customer site. Our services assist our customers in managing their existing information technology asset base, including maintenance, network engineering, information security management, project management, training and other technology services. Our Pay(+) service provides electronic presentment and payment. Having an extensive services offering provides a material distinction between *e*Plus and its competition.

IMPLEMENTATION AND CUSTOMER SERVICE

We use a project management approach to the implementation of *e*ECM solution with each new customer. Our team consists of 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 engineering staff members to provide technology services, if required, to the customer.

Our implementation of our solution is a multi-step process that requires, on average, approximately four to nine weeks and involves the following steps:

- We conduct an 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 Enterprise Cost 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 beta test the site and train the customer's personnel.

• We provide help desk, technological assistance, and remote network monitoring on a constant basis.

We provide Enterprise Cost Management 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 leading application frameworks. These frameworks provide access security, load balancing, resource pooling, message queuing, distributed transaction processing and reusable components and services.

Our applications are designed to be scalable, due to our multi-tiered architecture employing thin client, multi-threaded application servers and relational databases. Our applications are available 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.

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.

Our Enterprise Cost Management product can be integrated 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 exchange of data between systems. These integration processes can be scheduled according to the needs of our customers' information services and finance departments.

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

Our software has been acquired from third-party vendors or has been developed by us. In the past, we relied heavily on licensed software and outsourced development, but with the acquisition of the software products and the hiring of the employees obtained from the acquisition of ProcureNet, Inc. on May 15, 2001, much of our current software development is handled within the company. We have also outsourced certain programming tasks to a highly specialized offshore development company. We own programs that we market or we have obtained perpetual license rights and source code from third-party software companies. Subject to certain exceptions, we generally retain the source code and intellectual property rights of the customized software.

To successfully implement our business strategy, we are providing both a hosted and stand-alone 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 Enterprise Cost Management offering. 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 focusing our current resources in maintaining our state-of-the-art programs.

SALES AND MARKETING

We focus our marketing efforts on achieving lead generation and converting our existing customer base to our ECM solution. The target market for our customer base is primarily middle and large 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 a salary plus commission basis, with specific incentives for generating new customer relationships 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. We also intend to develop strategic relationships to expand market acceptance of our electronic commerce business solutions.

Our sales force is organized regionally in 36 office locations throughout the country. See "Item 2. PROPERTIES" for additional office location information. As of June 17, 2002 our sales organization included approximately 186 sales and sales support personnel.

INTELLECTUAL PROPERTY RIGHTS

Our success depends in part upon proprietary business methodologies and technologies that we have licensed and modified. We own certain software programs or have entered into software licensing agreements in connection with the development of our Enterprise Cost Management offering. 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 two patents that originated from the assets acquired from ProcureNet, Inc. regarding our electronic sourcing and catalog systems. We cannot provide any assurance that any patents, as 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. We also have the following trademarks: *e*Plus, *e*PlusSuite, Procur*e***(+)**, Manag*e***(+)**, Financ*e***(+)**, Servic*e***(+)**, EPLUS LEASING, EPLUS ONLINE and EPLUS ADVANTAGE.

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, providing procurement and asset management software and managing information technology and other assets for over ten years and currently derive the majority of our revenues from such activities. 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 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, non-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 without offset or counterclaim. 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 become 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 or the net book value. 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 and distributors. Our largest vendor relationships include Compaq, Tech Data, Hewlett Packard, Dell Computer Corporation, Microsoft Corporation, Ingram Micro, Inc., and IBM. We have in excess of 150 vendor authorizations to market specific products. Our flexible platform and customizable catalogs facilitate the addition of new vendors with little incremental effort. Our 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 that 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 commercial banks and finance companies with varying terms and conditions. During the years ended March 31, 2000 and 2001, the Company sold leased equipment to MLC/CLC LLC, a joint venture in which the Company has a 5% ownership interest, that amounted to 11% and 5% of the Company's revenues, respectively. No transactions occurred in the year ended March 31, 2002 with this entity. 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 the financial risks of our balance sheet assets. To accomplish this goal, we use and maintain conservative underwriting policies and disciplined credit approval processes. We also have internal control processes, including contract origination and management, cash management, servicing, collections, remarketing and accounting. Whenever possible, we use non-recourse financing (which is limited to the underlying equipment and the specific lessee and not the Company's general assets) for our leasing transactions and we try to obtain lender commitments before acquiring the related assets. We have over 40 non-recourse financing sources that we use, including Citizens Banking Corporation, De Lage Landen Financial Services, Fifth Third Bank, Fleet Business Credit Corporation, GE Capital Corporation, J.P. Morgan Leasing, and Key Corporate Capital, Inc.

When desirable, we manage our risk in assets by selling leased assets, including the residual portion of leases, to third parties rather than owning them. We try to obtain commitments for these asset sales before asset origination in a financing transaction. We also use agency purchase orders to procure equipment for lease to our customers as an agent, not a principal, and otherwise take measures to minimize our inventory. Additionally, we use fixed-rate funding 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 lease and sale contracts are reviewed by senior management for pricing, structure, documentation, and credit quality. Due in part to our strategy of focusing on a few types of 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, 2002, we reserved for $1,488,706 in credit losses and incurred actual credit losses of $183,618. During the fiscal year ended March 31, 2001 we reserved for $1,989,245 in credit losses and incurred actual credit losses of $368,612.

COMPETITION

The market for leasing, IT sales and services and procurement software services is intensely competitive, subject to economic conditions, rapid change and significantly affected by new product introductions and other market activities of industry participants. We expect to continue to compete in all three areas of business against local, regional and national firms. We compete directly with various leasing companies such as GE Capital Corporation and bank leasing subsidiaries 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.

Our current and potential competitors in the procurement software and electronic commerce market include, among others, Ariba, Inc., Commerce One, Inc., Clarus Corporation, International Business Machines Corporation, and General Electric. In addition, there are a number of companies developing and marketing business-to-business electronic commerce solutions targeted at specific vertical markets. Other competitors are also attempting to migrate their technologies to an Internet-enabled platform. Some of these competitors and potential competitors include ERP vendors, Oracle, SAP and Peoplesoft, which are expected to sell their procurement and asset management 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 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.

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 can compete favorably with our competitors in these areas within our framework of ECM that consists of Procur*e*(+), Manag*e*(+), *e*Plus Leasing, Content(+), strategic sourcing and business process outsourcing.

EMPLOYEES

As of March 31, 2002 we employed 582 full-time and part-time employees who operated through approximately 36 office 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 employees are as follows:

	Number of Employees
Sales and Marketing	186
Technical Support	166
Contractual	59
Accounting and Finance	62
Administrative	60
Software and Development	35
Executive	14

RISK FACTORS

The Limited Operating History Of Our eCommerce Related Products And Services Makes It Difficult To Evaluate Our Business And Our Prospects

Our *e*ECM solution introduced in May, 2002 and our *e*PlusSuite solution introduced in November, 1999, have had limited operating histories. Although we have been in the business of financing and selling information technology equipment since 1990, we will encounter some of the challenges, risks, difficulties and uncertainties frequently encountered by early-stage companies using new business models in evolving markets. Some of these challenges relate to our ability to:

- increase the total number of users of our Enterprise Cost Management services;
- adapt to meet changes in our markets and competitive developments;
- hire sufficient personnel to accommodate the expected growth in our customer base; and
- continue to update our technology to enhance the features and functionality of our suite of products.

We cannot be certain that our business strategy will be successful or that we will successfully address these and other challenges, risks and uncertainties.

The Electronic Commerce Business-To-Business Solutions Market Is Highly Competitive And We Cannot Assure That We Will Be Able To Effectively Compete

The market for Internet-based, business-to-business electronic commerce solutions is extremely competitive. We expect competition to intensify as current competitors expand their product offerings and new competitors enter the market. We cannot assure you that we will be able to compete successfully against current or future competitors, or that competitive pressures faced by us will not harm our business, operating results or financial condition. In addition, the market for electronic procurement solutions is relatively new and underdeveloped. Our strategy of providing an Internet-based electronic commerce solution may not be successful, or we may not execute it effectively. Accordingly, our solution may not be widely adopted by businesses.

Because there are relatively low barriers to entry in the electronic commerce market, competition from other established and emerging companies may develop in the future. Increased competition is likely to result in reduced margins, longer sales cycles and loss of market share, any of which could materially harm our business, operating results or financial condition. The business-to-business electronic commerce solutions offered by our competitors now or in the future may be perceived by buyers and suppliers as superior to ours. Many of our competitors have, and potential competitors may have, more experience developing Internet-based software and end-to-end purchasing solutions, larger technical staffs, larger customer bases, greater brand recognition and greater financial, marketing and other resources than we do. In addition, competitors may be able to develop products and services that are superior to our products and services, that achieve greater customer acceptance or that have significantly improved functionality as compared to our existing and future products and services.

If Our Products Contain Defects, Our Business Could Suffer

Products as complex as those used to provide our electronic commerce solutions often contain known and undetected errors or performance problems. Many serious defects are frequently found during the period immediately following introduction of new products or enhancements to existing products. Although we attempt to resolve all errors that we believe would be considered serious by our customers, our products are not error-free. Undetected errors or performance problems may not be discovered in the future and known errors considered minor by us might be considered serious by our customers. This could result in lost revenues, delays in customer acceptance or unforeseen liability that would be detrimental to our reputation and to our business.

We May Not Be Able To Hire And Retain Sufficient Sales, Marketing And Technical Personnel That We Need To Succeed

To increase market awareness and sales of our offerings, we may need to substantially expand our sales operations and marketing efforts in the future. Our products and services require a sophisticated sales effort and significant technical support. Competition for qualified sales, marketing and technical personnel can be intense, and we might not be able to hire and retain sufficient numbers of such personnel to grow our business.

If We Are Unable To Protect Our Intellectual Property, Our Business Will Suffer

The success of our business strategy depends, in part, upon proprietary technology and other intellectual property rights. To date, we have relied primarily on a combination of copyright, trade secret and service mark laws to protect our proprietary technology. It may be possible for unauthorized third parties to copy certain portions of our products or reverse engineer or obtain and use information that we regard as proprietary. Some of our agreements with our customers and technology licensors contain residual clauses regarding confidentiality and the rights of third parties to obtain the source code for our products. These provisions may limit our ability to protect our intellectual property rights in the future that could seriously harm our business, operating results and financial condition. We cannot assure you that our means of protecting our intellectual property rights will be adequate. If any of these events happen, our business, operating results and financial condition could be harmed.

We Face Risks Of Claims From Third Parties For Intellectual Property Infringement That Could Harm Our Business

Although we believe that our intellectual property rights are sufficient to allow us to market our existing products without incurring liability to third parties, we cannot assure you that our products and services do not infringe on the intellectual property rights of third parties.

In addition, because patent applications in the United States are not publicly disclosed until the patent is issued, we may not be aware of applications that have been filed which relate to our products or processes. We could incur substantial costs in defending ourselves and our customers against infringement claims. In the event of a claim of infringement, we and our customers may be required to obtain one or more licenses from third parties. We cannot assure you that such licenses could be obtained from third parties at a reasonable cost or at all. Defense of any lawsuit or failure to obtain any such required license could harm our business, operating results and financial condition. In addition, in certain instances, third parties licensing software to us have refused to indemnify us for possible infringement claims.

If We Publish Inaccurate Catalog Content Data, Our Business Could Suffer

Any defects or errors in catalog content data could harm our customers or deter businesses from participating in our offering, damage our business reputation, harm our ability to attract new customers and potentially expose us to legal liability. In addition, from time to time some participants in Enterprise Cost Management services could submit to us inaccurate pricing or other catalog data. Even though such inaccuracies are not caused by our work and are not within our control, such inaccuracies could deter current and potential customers from using our products and could harm our business, operating results and financial condition.

We Depend On Having Creditworthy Customers

Our leasing and technology sales business requires sufficient amounts of debt and equity capital to fund our equipment purchases. If the credit quality of our customer base materially decreases, or if we experience a material increase in our credit losses, we may find it difficult to continue to obtain the capital we require and our business, operating results and financial condition may be harmed. In addition to the impact on our ability to attract capital, a material increase in our delinquency and default experience would itself have a material adverse effect on our business, operating results and financial condition.

We May Not Be Able To Realize Our Entire Investment In The Equipment We Lease

We lease various types of equipment to customers through two distinct types of transactions: direct financing leases and operating leases. A direct financing lease passes substantially all of the risks and rewards of owning the related equipment to the customer. Lease payments during the initial term of a direct financing lease cover approximately 90% of the underlying equipment's cost at the inception of the lease. The duration of an operating lease, however, is shorter relative to the equipment's useful life. We bear greater risk in operating leases in that we may not be able to remarket the equipment on terms that will allow us to fully recover our investment.

At the inception of each lease, we estimate the fair market value of the item as a residual value for the leased equipment based on the terms of the lease contract. Residual values are determined and approved by our investment committee. A decrease in the market value of such equipment at a rate greater than the rate we expected, whether due to rapid technological obsolescence or other factors, would adversely affect the residual values of such equipment. Any such loss, which is considered by management to be permanent in nature, would be recognized in the period of impairment in accordance with Statement of Financial Accounting Standard No. 13, "Accounting for Leases." Consequently, there can be no assurance that our estimated residual values for equipment will be realized.

We May Not Reserve Adequately For Our Credit Losses

We maintain a consolidated reserve for credit losses on finance receivables. Our consolidated reserve for credit losses reflects management's judgment of the loss potential. Our management bases its judgment on the nature and financial characteristics of our obligors, general economic conditions and our charge-off experience. It also considers delinquency rates and the value of the collateral underlying the finance receivables.

We cannot be certain that our consolidated reserve for credit losses will be adequate over time to cover credit losses in our portfolio because of unanticipated adverse changes in the economy or events adversely affecting specific customers, industries or markets. If our reserves for credit losses are not adequate, our business, operating results and financial condition may suffer.

Our Earnings May Fluctuate

Our earnings are susceptible to fluctuations for a number of reasons, including the seasonal and cyclical nature of our customers' procurement patterns. Our earnings will continue to be affected by fluctuations in our historical business, such as reductions in realized residual values, lower sales of equipment and lower overall leasing activity. In the event our revenues or earnings are less than the level expected by securities analysts or the market in general, such shortfall could have an immediate and significant adverse impact on our common stock's market price.

We Are Dependent Upon Our Current Management Team

Our operations and future success depend on the efforts, abilities and relationships of our Chairman, Chief Executive Officer and President, Phillip G. Norton; our founder and Executive Vice President, Bruce M. Bowen, who also serves as a director; Steven J. Mencarini, Senior Vice President and Chief Financial Officer and Kleyton L. Parkhurst, Senior Vice President, Secretary and Treasurer. The loss of any of these key management officers or personnel could have a material adverse effect on our business, operating results and financial condition. Each of these officers has an employment agreement with us. We also maintain key-man life insurance on Mr. Norton.

ITEM 2. PROPERTIES

The Company operates from 36 office locations. Our total leased square footage is approximately 129,468 square feet for which we pay rent of approximately $195,732 per month. Some of our companies operate in shared office space to improve sales, marketing and improve cost efficiency. We do not own any real estate. Some sales and technical service personnel operate from either residential offices or space that is provided for by another entity or are located on a customer site. The following table identifies our largest locations, the approximate number of current employees as of June 21, 2002, the approximate square footage and the general office functions.

Location	Company	Number of Employees	Approximate Square Footage	Function
Herndon, VA (2 locations)	*e*Plus Group, inc. *e*Plus Technology, inc. *e*Plus Government, inc.	217	33,000	Corporate and subsidiary headquarters, sales , technical support and warehouse
Bristol, PA	*e*Plus Technology, inc.	50	23,605	Sales and technical support
Pottstown, PA (2 locations)	*e*Plus Technology of PA, inc.	59	18,300	Subsidiary headquarters, sales, technical support and warehouse
Campbell, CA	*e*Plus Technology, inc.	41	7,040	Sales, technical support and warehouse
Wilmington, NC	*e*Plus Technology of NC, inc.	38	6,068	Subsidiary headquarters, sales and technical support
Raleigh, NC	*e*Plus Group, inc. *e*Plus Technology of NC, inc.	21	8,000	Sales-shared and technical support
Avon, CT	*e*Plus Systems, inc.	15	5,030	Subsidiary headquarters, sales and technical development
Houston, TX	*e*Plus Content Services, inc.	10	4,000	Subsidiary headquarters, sales and e-commerce catalog service center
Canton, MA	ePlus Technology, inc.	33	9,000	Sales and technical support
Other locations		83	15,425	Sales and technical support

The two largest locations, Herndon, VA and Pottstown, PA, have lease expiration dates of November 30, 2004 and June 30, 2005, respectively. The Bristol, PA and Canton, MA offices arose from the acquisition of Elcom International, Inc.'s IT fulfillment and professional service business. Both spaces are contracted from Elcom International, Inc. under a Master Service Agreement that is on a monthly basis.

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.

PART II

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

MARKET INFORMATION

Since November 1, 1999, the Company's Common Stock has traded on the Nasdaq National Market under the symbol "PLUS." Previously, the Company's Common Stock was traded on the Nasdaq National Market from November 20, 1996 to October 31, 1999 under the symbol "MLCH." The following table sets forth the range of high and low sale prices for the Common Stock for the period April 1, 2000 through March 31, 2002, by quarter.

Quarter Ended	High	Low
June 30, 2000	$37.12	$12.50
September 30, 2000	$30.50	$14.62
December 31, 2000	$23.62	$ 7.28
March 31, 2001	$17.75	$ 7.37
June 30, 2001	$10.88	$ 6.17
September 30, 2001	$11.40	$ 6.75
December 31, 2001	$10.25	$ 7.15
March 31, 2002	$ 9.79	$ 8.62

On June 21, 2002 the closing price of the Common Stock was $7.75 per share. On June 21, 2002, there were 213 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 pay dividends. Our National City Bank Facility restricts dividends to 50% of net income accumulated after September 30, 2000. 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.

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, 2000, 2001 AND 2002" and "ITEM 1, BUSINESS."

ePLUS, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA
(Dollar amounts in thousands, except per share data)

	Year Ended March 31,				
	1998	**1999**	**2000**	**2001**	**2002**
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenues:					
Sales of equipment	$ 47,419	$ 83,516	$ 166,252	$ 216,183	$ 127,753
Sales of leased equipment	50,362	84,379	57,360	34,031	9,353
Lease revenues	14,882	20,611	31,374	42,694	48,850
Fee and other income	5,779	5,464	9,747	13,678	19,029
Total revenues	118,442	193,970	264,733	306,586	204,985
Costs and Expenses:					
Cost of sales of equipment	37,423	71,367	147,209	182,474	111,598
Cost of sales of leased equipment	49,669	83,269	55,454	33,329	9,044
Direct lease costs	5,409	6,184	8,025	16,535	9,579
Professional and other costs	1,073	1,222	2,126	3,363	2,718
Salaries and benefits	10,357	11,880	19,189	30,611	32,797
General and administrative expenses	3,694	5,152	7,090	10,766	12,517
Interest and financing costs	1,837	3,601	11,390	15,523	11,810
Nonrecurring acquisition costs	250	-	-	-	-
Total costs and expenses	109,712	182,675	250,483	292,601	190,063
Earnings before provision for income taxes	8,730	11,295	14,250	13,985	14,922
Provision for income taxes	2,691	4,579	5,875	5,667	6,010
Net earnings	$ 6,039	$ 6,716	$ 8,375	$ 8,318	$ 8,912
Net earnings per common share - Basic	$ 1.00	$ 0.99	$ 1.09	$ 0.86	$ 0.87
Pro forma net earnings (1)	$ 5,426				
Pro forma net earnings per common share - Basic	$ 0.90				
Weighted average shares outstanding - Basic	6,031,085	6,769,732	7,698,287	9,625,891	10,235,129

(1)Pro forma net earnings for the year ended March 31, 1998 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 in fiscal 1998, had been subject to federal income tax throughout the periods presented.

ePLUS, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA
(Dollar amounts in thousands, except per share data)

	As of March 31,				
	1998	1999	2000	2001	2002
CONSOLIDATED BALANCE SHEETS					
Assets:					
Cash and cash equivalents	$ 18,684	$ 7,892	$ 21,910	$ 24,534	$ 28,224
Accounts receivable	16,383	44,090	60,167	57,627	41,397
Notes receivable	3,802	547	1,195	1,862	228
Inventories	1,214	658	2,445	2,651	872
Investment in leases and leased equipment, net	39,792	86,901	231,999	202,846	169,087
Other assets	2,137	12,357	24,628	15,754	27,503
All other assets	1,184	1,914	2,991	5,593	11,685
Total assets	$ 83,196	$ 154,359	$ 345,335	$ 310,867	$ 278,996
Liabilities:					
Accounts payable - equipment	$ 21,284	$ 18,049	$ 22,976	$ 9,227	$ 3,899
Accounts payable - trade	6,865	12,518	29,452	18,926	15,105
Salaries and commissions payable	390	536	957	1,293	492
Recourse notes payable	13,037	19,081	39,017	8,876	4,660
Nonrecourse notes payable	13,028	52,429	182,845	157,960	129,095
All other liabilities	5,048	7,932	12,967	22,678	19,456
Total liabilities	59,652	110,545	288,214	218,960	172,707
Stockholders' equity	23,544	43,814	57,121	91,907	106,289
Total liabilities and stockholders' equity	$ 83,196	$ 154,359	$ 345,335	$ 310,867	$ 278,996

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, 2000, 2001 AND 2002

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.

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.

We currently derive the majority of our revenue from sales and financing of information technology and other assets. We have expanded our product and service offerings under the Enterprise Cost Management model which represents the continued evolution of our original implementation of *e*Plus e-commerce products entitled *e*PlusSuite. The expansion to our ECM model is framework that combines our IT sales and professional services, leasing and financing services, asset management software and services, procurement software, and electronic catalog content management software and services.

We have expanded our sales and marketing personnel from 117 to 186 from both hiring personnel and from the acquisitions of SourceOne Computer Corporation and Elcom International, Inc. These two acquisitions and our hiring of other sales persons has expanded our current locations to 36, all of which are in the United States. We expect to expand or open new sales locations and hire additional staff for specific targeted market areas in the near future whenever we can find both experienced personnel and qualified geographic areas.

On May 15, 2001, we acquired from ProcureNet, Inc. the e-commerce procurement software asset products and software technology for cleaning and categorizing product descriptions for e-commerce catalogues. These products and services and associated expenses with this business acquisition have substantially increased our expenses and the ability to sell these services and products is expected to fluctuate depending on the customer demand for these products and services, which to date is still unproven. These products and services are included in our Technology Sales Unit business segment combined with our other sales of IT products and services. Our leasing and financing activities are included in our Financing Business Unit segment in our financial statements.

As a result of our acquisitions and expansion of sales locations, the Company's historical results of operations and financial position may not be indicative of its future performance over time.

SELECTED ACCOUNTING POLICIES

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 collectibility 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 inception of the lease, 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 that 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 that is recognized at lease inception is included in net margin on sales-type leases. For equipment supplied from 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 leases and 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 type of lease; (2) sales of equipment subject to an existing lease, under which we are lessor, including any underlying financing related to the lease; (3) sales of off-lease equipment to the secondary market; and (4) sales of procurement software. Sales of new or used equipment are recognized upon shipment. Sales of equipment subject to an existing lease and off-lease equipment are recognized when constructive title passes to the purchaser. Revenue from sales of procurement software is recognized in accordance with the Statement of Position (SOP) 97-2, Software Revenue Recognition, as amended by SOP 98-4 and SOP 98-9. We recognize revenue when all the following criteria exist: when there is persuasive evidence that an arrangement exists, delivery has occurred, no significant obligations by the Company with regard to implementation remain, the sales price is determinable and it is probable that collection will occur. Our accounting policy requires that revenue earned on software arrangements involving multiple elements be allocated to each element on the relative fair values of the elements and recognized when earned. Revenue relative to maintenance and support is recognized ratably over the maintenance term (usually one year) and revenue allocated to training, implementation or other services is recognized as the services are performed.

Other Sources of Revenue. Amounts charged for Procur*e*(+) 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. Fee and other income results from: (1) income from events that occur after the initial sale of a financial asset; (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 consolidated statements of earnings.

Capitalization of Software Costs for Internal Use. The Company has capitalized certain costs for the development of internal use software under the guidelines of Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Approximately, $1.1 million and $0.7 million of internal use software was capitalized during the years ended March 31, 2002 and 2001, respectively which is included in the accompanying consolidated balance sheet as a component of property and equipment.

Capitalization of Software Costs Available to Customers. In accordance with SFAS No. 86, Accounting for Costs of Computer Software to be Sold, Leased, or Otherwise Marketed, software development costs are expensed as incurred until technological feasibility has been established, at such time such costs are capitalized until the product is made available for release to customers. No development costs have been capitalized for the years ended March 31, 2002 or 2001 relative to software costs available to customers.

RESULTS OF OPERATIONS

The Year Ended March 31, 2002 Compared to the Year Ended March 31, 2001

Total revenues generated by the Company during the year ended March 31, 2002 were $205.0 million compared to revenues of $306.6 million for the year ended March 31, 2001, a decrease of 33.1%. This decrease is primarily attributable to decreased revenues from the sales of equipment and leased equipment, offset slightly by an increase in lease revenues and fee and other income. The Company's revenues are composed of sales, lease revenues, and fee and other income, and may vary considerably from period to period.

Sales revenue, which includes sales of equipment and sales of leased equipment, decreased 45.2% to $137.1 million during the year ended March 31, 2002, as compared to $250.2 million in the prior fiscal year.

The majority of sales of equipment 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, 2002, we experienced a marked decrease in customer demand for IT products due to an overall economic slowdown. The decrease was a result of generally slower sales within the Company's existing customer base and the reduction in sales to customers in the communications industry. For the year ended March 31, 2002, equipment sales through the Company's technology business unit subsidiaries accounted for 99.2% of sales of equipment. For the year ended March 31, 2002, sales of equipment decreased 40.9% to $127.8 million, a result of decreased technology sales through the Company's subsidiaries.

The Company realized a gross margin on sales of equipment of 12.6% for the year ended March 31, 2002, as compared to 15.6% during the year ended March 31, 2001. This decrease in net margin percentage can be attributed to increased competition in a slower marketplace, lower overall demand in the marketplace, and variations in the profitability on the mix and volume of products sold.

The Company also recognizes revenue from the sale of leased equipment. During the year ended March 31, 2002 compared to the prior fiscal year, sales of leased equipment decreased 72.5% to $9.4 million. During the year ended March 31, 2002, the Company recognized a gross margin of 3.3% on leased equipment sales as compared to a gross margin of 2.1% during the prior fiscal year. The decrease in sales of leased equipment for the year ended March 31, 2002 reflects the reduced volume of lease equipment sold to outside investors, although the transactions which were sold reflected a higher gross margin. Leases that are not equity-sold to investors remain on the Company's books and lease earnings are recognized accordingly. In addition, 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, as amended by SFAS No. 140. Prior to May 2000, the majority of the Company's sales of lease equipment had historically been sold to MLC/CLC, LLC, a joint venture in which the Company owns a 5% interest. During the years ended March 31, 2002 and 2001, sales to MLC/CLC, LLC, accounted for 0% and 43.1% of sales of leased equipment, respectively. Sales to the joint venture required the consent of the joint venture partner. Firstar Equipment Finance Corporation, which owns 95% of MLC/CLC, LLC, discontinued their investment in new lease acquisitions effective May 2001. 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.

The Company's lease revenues increased 14.4% to $48.9 million for the year ended March 31, 2002, compared with the prior fiscal year. This increase reflects increased remarketing revenues on the

Company's maturing lease portfolio. Our net investment in leased assets was $169.1 million at March 31, 2002, a 16.6% decrease from $202.8 million at March 31, 2001.

For the year ended March 31, 2002, fee and other income was $19.0 million, an increase of 39.1% over the prior fiscal year. Fee and other income includes *e*PlusSuite revenues, revenues from adjunct services and management fees, including broker fees, support fees, warranty reimbursements, and learning center revenues generated by the Company's technology business unit subsidiaries. The increase in fee and other income in the year ended March 31, 2002 includes an approximate $3.5 million rebate from one of the Company's equipment vendors. The Company's fee and other income contains 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.

For the year ended March 31, 2002, included in Fee and other income were $5.4 million in *e*PlusSuite revenues, as compared to $5.7 million in the year ended March 31, 2001. This represents a decrease of 5.8% and reflects a reduction of transactions utilizing our *e*PlusSuite products and services. These revenues consist of amounts charged for the arrangement of procurement transactions executed through Procur*e*+, and Manag*e*+, components of *e*PlusSuite.

The Company's direct lease costs decreased 42.1% during the year ended March 31, 2002, as compared to the prior fiscal year. The largest component of direct lease costs is depreciation expense on operating lease equipment.

Professional and other fees decreased 19.2% for the year ended March 31, 2002 over the prior fiscal year, and was primarily the result of a material reduction in the utilization of outside service providers.

Salaries and benefits expenses increased 7.1% during the year ended March 31, 2002, as compared to the prior fiscal year. The increase is the result of the increased number of personnel employed by the Company, particularly employees acquired in the SourceOne acquisition, which is offset by reduced commission expenses in the Company's lease financing and technology sales units.

General and administrative expenses increased 16.3% over the prior fiscal year. The increase reflects the additional expense related to the Company's recently formed subsidiaries, *e*Plus Systems, inc. and *e*Plus Content Services, inc. A portion of the increase is attributable to the non-recurring, one-time write-off of certain software assets and an equity investment held in a former business partner of the Company, as the Company determined that the investment net book value would not be realized. In addition, the Company has experienced increased expenses related to the development and deployment of its e-commerce strategy. These increases have been offset by the elimination of goodwill amortization for the current fiscal year.

Interest and financing costs incurred by the Company for the year ended March 31, 2002 decreased 23.9%, and relate to interest costs on the Company's indebtedness. In addition to decreased borrowing under the Company's lines of credit, the Company's lease-related non-recourse debt portfolio decreased significantly, and our weighted average interest rate on new lease-related non-recourse debt decreased during the year ended March 31, 2002 (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 $6.0 million for the year ended March 31, 2002 from $5.7 million for the prior fiscal year, reflecting effective income tax rates of 40.3% and 40.5%, respectively.

The foregoing resulted in a 7.1% increase in net earnings for the year ended March 31, 2002, as compared to the prior fiscal year.

Basic and fully diluted earnings per common share were $0.87 and $0.85 for the year ended March 31, 2002, as compared to $0.86 and $0.80 for the year ended March 31, 2001, based on weighted average common shares outstanding of 10,235,129 and 10,458,235, respectively, for 2002 and 9,625,891 and 10,383,467, respectively, for 2001.

The Year Ended March 31, 2001 Compared to the Year Ended March 31, 2000

Total revenues generated by the Company during the year ended March 31, 2001 were $306.6 million compared to revenues of $264.7 million for the year ended March 31, 2000, an increase of 15.8%. This increase is primarily attributable to increases in equipment sales and lease revenues. The Company’s revenues are composed of sales, lease revenues, *e*PlusSuite revenues, and fee and other income, and may vary considerably from period to period.

Sales revenue, which includes sales of equipment and sales of leased equipment, increased 11.9% to $250.2 million during the year ended March 31, 2001, as compared to $223.6 million in the prior fiscal year.

The majority of sales of equipment 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, 2001, equipment sales through the Company's technology business unit subsidiaries accounted for 99.6% of sales of equipment. For the year ended March 31, 2001, sales of equipment increased 30.0% to $216.2 million, a result of increased technology sales through the Company's subsidiaries. The acquisition of CLG, Inc. in September 1999 did not materially contribute to the increase in sales of equipment for the periods presented.

The Company realized a gross margin on sales of equipment of 15.6% for the year ended March 31, 2001, as compared to 11.5% during the year ended March 31, 2000. This increase in net margin percentage can be attributed to improved vendor pricing negotiations and variations in the mix and volume of products sold.

The Company also recognizes revenue from the sale of leased equipment. During the year ended March 31, 2001 compared to the prior fiscal year, sales of leased equipment decreased 40.7% to $34.0 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, as amended by SFAS No. 140. 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, 2001 and 2000, sales to MLC/CLC, LLC, accounted for 43.1% and 50.0% 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, 2001, the Company recognized a gross margin of 2.1% on leased equipment sales of $34.0 million as compared to a gross margin of 3.3% on leased equipment sales of $57.4 million during the prior fiscal year.

The Company's lease revenues increased 36.1% to $42.7 million for the year ended March 31, 2001, compared with the prior fiscal year. This increase consists of increased lease earnings and rental revenues, as well as increased remarketing revenues.

For the year ended March 31, 2001, fee and other income increased 40.3% over the prior fiscal year. Included in the Company's fee and other income are *e*PlusSuite revenues and 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 increase is attributable to the increase in *e*PlusSuite revenues during 2001.

For the year ended March 31, 2001, included in fee and other income were $5.7 million in *e*PlusSuite revenues, as compared to $1.4 million in the year ended March 31, 2000. This represents an increase of 313.2%. These revenues consist of amounts charged for the arrangement of procurement transactions executed through Procur*e*+, and Manag*e*+, components of *e*PlusSuite.

The Company's direct lease costs increased 106.0% during the year ended March 31, 2001, as compared to the prior fiscal year. The largest component of direct lease costs is depreciation expense on operating lease equipment. The acquisition of CLG, Inc., which had a higher percentage of operating leases, contributed to the increase, as did increases in the Company's reserves for credit losses.

Salaries and benefits expenses increased 59.5% during the year ended March 31, 2001, as compared to the prior fiscal year. General and administrative expenses increased 51.9% over the prior fiscal year. These increases reflect the increased number of personnel employed by the Company, higher commission expenses in the technology business unit, and increased costs associated with the implementation of the Company's strategies, as well as the acquisition of CLG, Inc.

Interest and financing costs incurred by the Company for the year ended March 31, 2001 increased 36.3%, 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 decreased to $5.7 million for the year ended March 31, 2001 from $5.9 million for the prior fiscal year, reflecting effective income tax rates of 40.5% and 41.2%, respectively.

The foregoing resulted in a 0.7% decrease in net earnings for the year ended March 31, 2001, as compared to the prior fiscal year.

Basic and fully diluted earnings per common share were $0.86 and $0.80 for the year ended March 31, 2001, as compared to $1.09 and $0.91 for the year ended March 31, 2000, based on weighted average common shares outstanding of 9,625,891 and 10,383,467, respectively, for 2001 and 7,698,287 and 9,155,056, respectively, for 2000.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended March 31, 2002, the Company generated cash flows from operations of $12.4 million, and used cash flows from investing activities of $33.7 million. Cash flows generated by financing activities amounted to $25.0 million during the same period. The net effect of these cash flows was a net increase in cash and cash equivalents of $3.7 million during the year. During the same period, our total assets decreased $31.9 million, or 10.3%, primarily the result of decreases in the Company's net investment in leases and leased equipment. On April 17, 2000, a secondary offering of 1,000,000 shares of our common stock was completed that generated net proceeds of $25,936,388. The Company's net investments in direct financing and operating lease equipment decreased $30.9 million, or 15.6%, and $2.8 million, or 65.9%, respectively, during the period. The cash balance at March 31, 2002 was $28.2 million as compared to $24.5 million the prior year.

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 leased to third parties, or other internal means. 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 by non-recourse and recourse borrowings. Historically, the Company has obtained recourse and non-recourse borrowings from banks and finance companies. The Company has formal programs with Key Corporate Capital, Inc. and Fleet Business Credit Corporation. In addition to these programs, recently the Company has regularly funded its leasing activities with Wachovia Bank and Trust, Citizens Leasing Corporation, GE Capital Corporation, National City Bank, Hitachi Leasing America, and Fifth Third Bank, among others. These programs require that each transaction is specifically approved and done solely at the lender's discretion.

During the year ended March 31, 2002, the Company's lease-related non-recourse debt portfolio decreased 18.3% to $129.1 million. The decrease is primarily the result of loan paydowns on the debt portfolio through customer lease payments. 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 default by the lessee, is against the lessee and the specific equipment under lease.

Whenever possible and desirable, the Company arranges for equity investment financing which includes selling assets including the residual portions to third parties and financing the equity investment on a non-recourse basis. The Company generally retains customer control and operational services, and has minimal residual risk. The Company usually preserves 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.

Through MLC/CLC, LLC, the Company had a joint venture agreement that had historically provided the equity investment financing for certain of the Company’s transactions. Firstar Equipment Finance Company (“FEFCO”), formerly Cargill Leasing Corporation, is an unaffiliated investor which owns 95% of MLC/CLC, LLC. FEFCO’s parent company, US Bancorp, a bank holding company that is publicly traded on the New York Stock Exchange under the symbol “USB”. This joint venture arrangement enabled the Company to invest in a significantly greater portfolio of business than its limited capital base would otherwise allow. A significant portion of the Company’s revenue generated by the sale of leased equipment has historically been attributable to sales to MLC/CLC, LLC. (See “**RESULTS OF OPERATIONS**”). FEFCO has discontinued new lease acquisition transactions effective May 2000. We actively sell or finance our equity investment with Fleet Business Credit Corporation and GE Capital Corporation, among others.

The Company’s “Accounts payable - equipment” represents equipment costs that have been placed on a lease schedule, but for which the Company has not yet paid. The balance of unpaid equipment cost can vary depending on vendor terms and the timing of lease originations. As of March 31, 2002, the Company had $3.9 million of unpaid equipment cost, as compared to $9.2 million at March 31, 2001.

Working capital financing in our leasing business was, through December 16, 2000 when it expired, provided by a $65 million committed credit facility which was a short-term, secured, recourse facility provided through First Union National Bank, N.A. and which had syndicated the facility to the following participants and in the following amounts: National City Bank ($15 million); Summit Bank ($10 million); Bank Leumi USA ($10 million); and Key Bank ($10 million). This credit facility had been in place since December 1998, was previously renewed for a one-year period on December 19, 1999, had full recourse to the Company, and was secured by a blanket lien against all of the Company's assets.

In addition, the Company had entered into pledge agreements to pledge the common stock of all wholly-owned subsidiaries. The interest rates charged under the facility were LIBOR plus 1.5% or Prime minus .5%, depending on the term of the borrowing. The facility expired on December 16, 2000. Effective December 15, 2000, the Company entered into a $20 million 364-day, committed, secured recourse facility through National City Bank. It had full recourse to the Company, and was secured by a blanket lien against all of the Company's assets. In addition, the Company entered into pledge agreements to pledge the common stock of all wholly-owned subsidiaries. The credit facility contains certain financial covenants and certain restrictions on, among other things, the Company's ability to make certain investments, and sell assets or merge with another company. The interest rates charged under the facility are LIBOR plus a margin ranging from 1.50% to 2.25% or Prime plus a margin ranging from 0% to 0.25%. The margin was determined by a matrix that was based on a ratio of the Company's total recourse funded debt to EBITDA (earnings before interest, tax, depreciation, and amortization) as determined under the facility.

Subsequently, on January 19, 2001, the $20 million National City credit facility was amended and increased to $35 million and the term was lengthened to 3 1/4 years. The new facility expires on April 17, 2004. In addition, Branch Banking and Trust Company ($10 million) and PNC Bank, N.A. ($5 million) were added to the facility and National City was appointed agent. The margin related to the LIBOR interest rate option was increased from 1.50% to 2.25% to 1.75% to 2.50%. As of March 31, 2002, the Company had an outstanding balance of $1.0 million on the National City Credit Facility. 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.

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, 2001, the outstanding balance on the National City Facility amounted to $5.0 million, and represented 56.3% of the outstanding recourse debt. As of March 31, 2002, the outstanding balance on the National City Facility amounted to $1.0 million, and represented 21.5% 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.

*e*Plus Technology of NC, inc., *e*Plus Technology of PA, inc. and *e*Plus Technology, inc. have separate credit facilities to finance their working capital requirements for inventories and accounts receivable. Their traditional business as sellers of personal computers and related network equipment and software products is financed through agreements known as "floor planning" financing in which interest expense for the first thirty to forty days is not charged but is paid by the supplier/distributor. The floor planning liabilities are recorded as accounts payable-trade, as they are normally repaid within the thirty to forty day time frame and represent an assigned accounts payable originally generated with the supplier/distributor. If the thirty to forty day obligation is not paid timely, interest is then assessed at stated contractual rates.

In addition to the floor planning financing, *e*Plus Technology, inc. and *e*Plus Technology of NC, inc. have accounts receivable facilities through Deutsche Financial Services Corporation. Of the total $33 million dollar facility provided by Deutsche Financial Services Corporation, $26 million is for traditional inventory floor planning and $7 million is available for accounts receivable financing. The maximum available under the accounts receivable facilities for *e*Plus Technology, inc. and *e*Plus Technology of PA, inc. are $5 million and $2 million respectively and as of March 31, 2002 the balance of these account receivable facilities, which is included in recourse notes payable, were $0 and $0 respectively. As of March 31, 2002 the respective floor planning inventory agreement maximum credit limits and actual outstanding balances are as follows:

Entity	Floor Plan Supplier	Credit Limit	Balance at March 31, 2002
*e*Plus Technology of NC, inc.	Deutsche Financial Services, Inc.	$3,500,000	$1,493,106
	IBM Credit Corporation	$ 250,000	$ 199,731
*e*Plus Technology of PA, inc.	Deutsche Financial Services, Inc.	$9,000,000	$3,154,218
	IBM Credit Corporation	$2,000,000	$ 172,976
*e*Plus Technology, inc.	Deutsche Financial Services, Inc.	$13,500,000	$3,836,411

Until it was terminated on February 15, 2001, *e*Plus Technology of PA, inc. had a line of credit in place with PNC Bank, N.A. with a maximum loan limit of $2,500,000 and it was guaranteed by *e*Plus inc. The facilities provided by Deutsche Financial Services Corporation for *e*Plus Technology of PA, inc. and *e*Plus Technology, inc. requires a separate guaranty of up to $4,900,000 and $2,000,000 respectively, by *e*Plus inc. The floor planning facility provided by IBM Credit Corporation to *e*Plus Technology of PA, inc. also requires a guaranty by *e*Plus inc. for the total balance outstanding.

Availability under the revolving lines of credit may be limited by the asset value of equipment purchased by the Company and may be further limited by certain covenants and terms and conditions of the facilities.

*e*Plus Technology, inc. was previously supplied a floor planning facility by BankAmerica Credit who terminated the agreement, effective August 16, 2000. *e*Plus Technology, inc. contracted with Deutsche Financial Services Corporation on August 30, 2000, to replace the previous supplier. Both *e*Plus

Technology of NC, inc. and *e*Plus Technology of PA, inc. agreements with Finova Capital Corp. were terminated on February 25, 2001. Both *e*Plus Technology of PA, inc. and *e*Plus Technology of NC, inc. replaced these facilities under agreements with Deutsche Financial Services Corporation. The loss of the Deutsche Financial Services Corporation relationship could have a material adverse effect on our future results as we rely on these facilities for daily working capital and liquidity for our technology sales business.

As of March 31, 2002, amounts due to vendors for inventory and general expenses ("Accounts Payable - trade") and amounts due to vendors for equipment that will be placed on lease ("Accounts Payable - equipment") totaled $19.0 million, as compared to $28.2 million at March 31, 2001.

As of March 31, 2002 and 2001, the Company had $0.2 and $1.9 million in notes receivable, respectively. As of March 31, 2000, we had an outstanding note receivable of $0.8 million from a corporation in which we also had warrants to acquire a major equity share. During the year-ended March 31, 2002, 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.

On September 20, 2001, the Company's Board of Directors authorized the repurchase from time to time of up to 750,000 shares of its outstanding common stock to a maximum of $5,000,000. As of March 31, 2002, the Company had repurchased 66,100 shares of its outstanding common stock at an average cost of $8.70 per share for a total of $574,800. Subsequent to year-end and as of June 21, 2002, we repurchased an additional 40,000 shares at an average price of $8.68 for a total of $347,000.

ADEQUACY OF CAPITAL RESOURCES

The continued implementation of the Company's e-commerce business strategy will require a significant investment in both cash and managerial focus. In addition, the Company may selectively acquire other companies that have attractive customer relationships and skilled sales forces. The Company may also acquire technology companies to expand and enhance the platform of *e*PlusSuite to provide additional functionality and value added services. As a result, the Company may require additional financing to fund its strategy implementation and potential future acquisitions, which may include additional debt and equity financing.

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 and updated to *e*ECM in 2002. 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 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, frequent new product announcements and established competition;
- significant expansion of internal resources is needed to support planned growth of the Company’s *e*PlusSuite services.

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. These instruments were entered into for other than trading purposes, are denominated in U.S. Dollars, and, with the exception of amounts drawn under the National City Bank and Deutsche facilities, bear interest at a fixed rate. Because the interest rate on these instruments is fixed, changes in interest rates will not directly impact our cash flows. Borrowings under the National City and Deutsche facilities bear interest at a market-based variable rate, based on a rate selected by the Company and determined at the time of borrowing. If the amount borrowed is not paid at the end of the rate period, the rate is reset in accordance with the Company's selection and changes in market rates. Due to the relatively short nature of the interest rate periods, we do not expect our operating results or cash flow to be materially affected by changes in market interest rates. As of March 31, 2002, the aggregate fair value of our recourse borrowings approximated their carrying value.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the consolidated financial statements and Schedule listed in the accompanying Index to Financial Statements.

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...............................	58	Director, Chairman of the Board, President and Chief Executive Officer	III
Bruce M. Bowen	50	Director and Executive Vice President	III
Steven J. Mencarini...........................	46	Senior Vice President and Chief Financial Officer	
Kleyton L. Parkhurst.........................	39	Senior Vice President, Secretary, and Treasurer	
Terrence O'Donnell...........................	58	Director	II
Lawrence S. Herman.........................	58	Director	I
C. Thomas Faulders, III.	52	Director	I
Thomas L. Hewitt	63	Director	II

Mr. Lawrence S. Herman was elected to the Board of Directors on March 30, 2001. On June 18, 2001, Mr. Thomas L. Hewitt was elected to the Board of Directors.

PART IV

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

(a)(1) Financial Statements

The consolidated 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 did not file any Form 8-K's during the last quarter of the period covered by this report.

(c) Exhibits

Exhibit Number	Description
2.1(6)	Stock Purchase Agreement, dated as of October 23, 1998 by and between MLC Holdings, Inc. and TC Leasing, LLC
2.2(7)	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
2.3(8)	Amendment, dated as of April 11, 2000, to the Agreement, dated as of February 25, 2000 by and between *e*Plus inc. and TC Plus, LLC
2.4(12)	Agreement and Plan of Reorganization by and among SourceOne Computer Corporation, Robert Nash, Donna Nash, R. Wesley Jones, the shareholders of SourceOne Computer Corporation, *e*Plus inc. and *e*Plus Technology, inc., dated as of October 2, 2001.
2.5(13)	Asset Purchase and Sale Agreement by and between *e*Plus Technology, inc., Elcom Services Group, Inc., Elcom, Inc., and Elcom International, Inc., dated March 25, 2002.
2.6(14)	Amendment to Asset Purchase and Sale Agreement by and between *e*Plus Technology, inc., Elcom Services Group, Inc., Elcom, Inc., and Elcom International, Inc., dated March 29, 2002.
3.1(3)	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 Kleyton L. Parkhurst
10.5(2)*	Form of Employment Agreement between the Registrant and Steven J. Mencarini
10.6(4)*	Form of Employment Agreement between the Registrant and Nadim Achi
10.7(3)*	MLC Master Stock Incentive Plan
10.8(3)*	Amended and Restated Incentive Stock Option Plan
10.9(3)*	Amended and Restated Outside Director Stock Option Plan
10.10(3)*	Amended and Restated Nonqualified Stock Option Plan
10.11(3)*	1997 Employee Stock Purchase Plan
10.12(5)	1998 Long Term Incentive Plan
10.15(1)	Form of Irrevocable Proxy and Stock Rights Agreement
10.16(9)	Credit Agreement dated January 19, 2001 between *e*Plus inc., *e*Plus Group, inc., *e*Plus Government, inc., and *e*Plus Capital, inc., with National City Bank, Inc., as Agent
10.17(10)	Business Financing Agreement dated September 8, 2000 between Deutsche Financial Services Corporation and *e*Plus Technology, inc.
10.18(10)	Agreement for Wholesale Financing dated September 8, 2000 between Deutsche Financial Services and *e*Plus Technology, inc.
10.19(10)	Paydown Addendum to Business Financing Agreement between Deutsche Financial Services and *e*Plus Technology, inc.
10.20(10)	Limited Guaranty dated September 8, 2000 between Deutsche Financial Services and *e*Plus inc.
10.21(11)	Agreement for Wholesale Financing between Deutsche Financial Services and *e*Plus Technology of PA, inc., dated February 12, 2001

10.22(11)	Business Financing Agreement between Deutsche Financial Services Corporation and *e*Plus Technology of PA, inc., dated February 12, 2001
10.23(11)	Addendum to Business Financing Agreement and Agreement for Wholesale Financing between Deutsche Financial Services Corporation and *e*Plus Technology of PA, inc., dated February 12, 2001
10.24(11)	Limited Guaranty for *e*Plus Technology of PA, Inc. to Deutsche Financial Services Corporation by *e*Plus inc., dated February 12, 2001
10.25(11)	Intercreditor Subordination Agreement between Deutsche Financial Services Corporation and IBM Credit Corporation and *e*Plus Technology of PA, inc., dated February 26, 2001
10.26(11)	Agreement for Wholesale Financing between Deutsche Financial Services Corporation and *e*Plus Technology of NC, inc., dated February 12, 2001
10.27(11)	Addendum to Agreement for Wholesale Financing between *e*Plus Technology of NC, inc. and Deutsche Financial Services Corporation, dated February 12, 2001
10.28(11)	Addendum to Agreement for Wholesale Financing between *e*Plus Technology of NC, inc. and Deutsche Financial Services Corporation, dated February 12, 2001
10.29(11)	Addendum to Business Financing Agreement and Agreement for Wholesale Financing between *e*Plus Technology, inc. and Deutsche Financial Services Corporation, dated February 12, 2001, amending the Business Financing Agreement and Wholesale Financing Agreement, dated September 8, 2000
10.3	Deed of Lease between CALEAST INDUSTRIAL INVESTORS, LLC (Landlord) and *e*Plus inc. (Tenant)
21.1	Subsidiaries of the Company
23.1	Consent of Deloitte & Touche LLP

* 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 Exhibit 5.2 filed as part of the Registrant's Form 8-K filed June 30, 1997

(3) Incorporated herein by reference to the indicated exhibit filed as part of the Registrant's Form 10-Q filed on November 14, 1997

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

(5) Incorporated herein by reference to Exhibit 1.1 filed as a part of the Registrant's Form 10-Q filed on November 12, 1998

(6) Incorporated herein by reference to the indicated exhibit filed as a part of the Registrant's Form 8-K filed on November 13, 1998

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

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

(9) Incorporated herein by reference to Exhibit 5.1 filed as part of the Registrant's Form 8-K filed on February 2, 2001

(10) Incorporated herein by reference to Exhibits 5.1, 5.2, 5.3 and 5.4 filed as part of the Registrant's Form 8-K filed on September 22, 2000

(11) Incorporated herein by reference to Exhibits 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8 and 5.9 filed as part of the Registrant's Form 8-K filed on March 13, 2001

(12) Incorporated herein by reference to Exhibit 2 filed as part of the Registrant's Form 8-K dated October 12, 2001

(13) Incorporated herein by reference to Exhibit 2 filed as part of the Registrant's Form 8-K dated April 5, 2002

(14) Incorporated herein by reference to Exhibit 2.1 filed as part of the Registrant's Form 8-K dated April 5, 2002

SIGNATURES

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 27, 2002

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 27, 2002

/s/ BRUCE M. BOWEN
By: Bruce M. Bowen, Director and Executive
Vice President
Date: June 27, 2002

/s/ STEVEN J. MENCARINI
By: Steven J. Mencarini, Senior Vice President,
Chief Financial Officer, Principal Accounting Officer
Date: June 27, 2002

/s/ C. THOMAS FAULDERS, III
By: C. Thomas Faulders, III, Director
Date: June 27, 2002

/s/ LAWRENCE S. HERMAN
By: Lawrence S. Herman, Director
Date: June 27, 2002

/s/ THOMAS L. HEWITT
By: Thomas L. Hewitt, Director
Date: June 27, 2002

/s/ TERRENCE O'DONNELL
By: Terrence O'Donnell, Director
Date: June 27, 2002

_e_Plus inc. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of *e*Plus inc. and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years ended March 31, 2002. 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 the 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, 2002 and 2001, and the results of their operations and their cash flows for each of the three years ended March 31, 2002 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.

DELOITTE & TOUCHE LLP

McLean, Virginia
June 21, 2002

***e*Plus inc. AND SUBSIDIARIES**
CONSOLIDATED BALANCE SHEETS

	As of March 31, 2001	As of March 31, 2002
ASSETS		
Cash and cash equivalents	$24,534,183	$28,223,503
Accounts receivable, net of allowance for doubtful accounts of $1,392,297 and $3,719,207 as of March 31, 2001 and 2002, respectively	57,627,231	41,397,320
Notes receivable	1,862,488	227,914
Employee advances	66,082	69,042
Inventories	2,651,087	871,857
Investment in leases and leased equipment - net	202,846,207	169,087,078
Property and equipment - net	5,216,123	6,144,061
Deferred tax asset	310,476	5,471,658
Other assets (1)	15,753,599	27,503,121
TOTAL ASSETS	$ 310,867,476	$278,995,554
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable - equipment	$9,226,813	$3,898,999
Accounts payable - trade	18,925,939	15,104,985
Salaries and commissions payable	1,292,722	491,716
Accrued expenses and other liabilities	21,351,575	19,091,729
Income taxes payable	1,327,591	364,183
Recourse notes payable	8,875,595	4,659,982
Nonrecourse notes payable	157,959,706	129,095,051
Total Liabilities	$218,959,941	$ 172,706,645
COMMITMENTS AND CONTINGENCIES (Note 6)	-	-
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; 2,000,000 shares authorized; none issued or outstanding	-	-
Common stock, $.01 par value; 50,000,000 authorized 9,730,154 and 10,395,870 issued and outstanding at March 31, 2001 and 2002, respectively	$97,301	$104,619
Additional paid-in capital	56,376,934	62,414,067
Treasury stock, at cost, -0- and 66,100 shares, respectively	-	(574,800)
Retained earnings	35,433,300	44,345,023
Total Stockholders' Equity	91,907,535	106,288,909
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$310,867,476	$278,995,554

(1) Includes amounts due from related parties of $1,020,633 and $853 as of March 31, 2001 and 2002, respectively.

See Notes to Consolidated Financial Statements.

***e*Plus inc. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended March 31,		
	2000	2001	2002
REVENUES			
Sales of equipment	$166,252,178	$ 216,183,181	$127,753,315
Sales of leased equipment	57,360,366	34,031,381	9,353,088
	223,612,544	250,214,562	137,106,403
Lease revenues	31,374,244	42,693,839	48,850,017
Fee and other income	9,747,016	13,677,495	19,028,926
	41,121,260	56,371,334	67,878,943
TOTAL REVENUES (1)	264,733,804	306,585,896	204,985,346
COSTS AND EXPENSES			
Cost of sales, equipment	147,209,320	182,473,685	111,598,231
Cost of sales, leased equipment	55,454,033	33,329,403	9,043,932
	202,663,353	215,803,088	120,642,163
Direct lease costs	8,025,343	16,534,992	9,578,631
Professional and other fees	2,125,523	3,363,324	2,717,618
Salaries and benefits	19,189,271	30,610,437	32,797,303
General and administrative expenses	7,090,070	10,766,333	12,517,696
Interest and financing costs	11,389,682	15,522,897	11,810,414
	47,819,889	76,797,983	69,421,662
TOTAL COSTS AND EXPENSES (2)	250,483,242	292,601,071	190,063,825
Earnings before provision for income taxes	14,250,562	13,984,825	14,921,521
Provision for income taxes	5,875,194	5,666,625	6,009,798
NET EARNINGS	$8,375,368	$ 8,318,200	$8,911,723
NET EARNINGS PER COMMON SHARE - BASIC	$ 1.09	$0.86	$ 0.87
NET EARNINGS PER COMMON SHARE - DILUTED	$ 0.91	$0.80	$ 0.85
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	7,698,287	9,625,891	10,235,129
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	9,155,056	10,383,467	10,458,235

(1) Includes amounts from related parties of $28,976,999, $14,923,606 and $147,305 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively.
(2) Includes amounts from related parties of $28,261,282, $15,588,046 and $902,818 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively.

See Notes to Consolidated Financial Statements.

ePlus inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Treasury Stock	Retained Earnings	TOTAL
Balance, April 1, 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
Issuance of shares for option exercise	37,685	7,476	155,861	-	-	163,337
Issuance of shares to employees	24,080	241	143,517	-	-	143,758
Issuance of shares for stock purchase warrant	709,956	-	-	-	-	-
Expense related to stock purchase warrant	-	-	225,000	-	-	225,000
Issuance of common stock-secondary offering	1,000,000	10,000	25,926,388	-	-	25,936,388
Net earnings	-	-	-	-	8,318,200	8,318,200
Balance, March 31, 2001	9,730,154	$97,301	$ 56,376,934	-	$ 35,433,300	$ 91,907,535
Issuance of shares for option exercise	570	6	(89,668)	-	-	(89,662)
Issuance of shares to employees	33,414	334	253,129	-	-	253,463
Issuance of shares in business combination	697,832	6,978	5,873,672	-	-	5,880,650
Purchase of Treasury Stock	(66,100)	-	-	(574,800)	-	(574,800)
Net earnings	-	-	-	-	8,911,723	8,911,723
Balance, March 31, 2002	10,395,870	$104,619	$ 62,414,067	$(574,800)	$ 44,345,023	$ 106,288,909

See Notes to Consolidated Financial Statements.

***e*Plus inc. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31,		
	2000	2001	2002
Cash Flows From Operating Activities:			
Net earnings	$8,375,368	$8,318,200	$8,911,723
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,574,165	11,248,760	5,644,713
Provision for credit losses	374,580	1,772,768	1,488,706
Deferred taxes	(2,530,071)	(1,072,615)	(5,161,182)
Loss (Gain) on sale of operating lease equipment	(753,787)	(333,299)	240,137
Adjustment of basis to fair market value of operating lease equipment and investments	12,000	1,593,760	1,001,169
Payments from lessees directly to lenders	(7,523,540)	(6,112,406)	(489,962)
Expense related to issuance of warrants	52,500	225,000	
Loss on disposal of property and equipment	47,492	14,765	96,148
Changes in:			
Accounts receivable	(17,839,402)	3,191,633	18,073,079
Notes receivable(1)	(494,622)	(1,971,904)	1,634,574
Employee advances	(48,736)	22,929	6,268
Inventories	6,791,464	(177,422)	1,899,869
Other assets(2)	(3,939,783)	8,375,710	(3,747,399)
Accounts payable - equipment	4,926,486	(13,748,732)	(5,327,815)
Accounts payable - trade	16,175,112	(9,559,862)	(7,513,939)
Salaries and commissions payable, accrued expenses and other liabilities	7,279,067	8,679,370	(4,405,675)
Net cash provided by (used in) operating activities	18,478,293	10,466,655	12,350,414
Cash Flows From Investing Activities:			
Proceeds from sale of operating equipment	820,015	922,549	-
Purchase of operating lease equipment	(1,904,985)	(2,568,445)	(931,556)
Increase in investment in direct financing and sales-type leases(3)	(120,118,484)	(10,197,101)	(27,457,697)
Proceeds from sale of property and equipment	-	-	3,907
Purchases of property and equipment	(1,608,190)	(3,840,655)	(1,644,879)
Cash used in acquisitions, net of cash acquired	(1,845,730)	-	(3,268,334)
Increase in other assets(4)	(219,603)	(2,942,046)	(373,959)
Net cash used in investing activities	(124,876,977)	(18,625,698)	(33,672,518)

***e*Plus inc. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

	2000	2001	2002
Cash Flows From Financing Activities:			
Borrowings:			
Nonrecourse	$ 126,758,387	$ 90,908,400	$ 81,520,753
Recourse	732,276	325,446	30,381
Repayments:			
Nonrecourse	(22,234,446)	(76,961,083)	(51,498,928)
Recourse	(1,408,934)	(183,515)	(604,515)
Purchase of treasury stock	-	-	(574,800)
Proceeds from issuance of capital stock, net of expenses	978,749	307,095	165,816
Proceeds from sale of stock, net of underwriting	-	25,936,388	-
Proceeds from (repayments of) lines of credit	15,590,775	(29,549,289)	(4,027,283)
Net cash provided by financing activities	120,416,807	10,783,442	25,011,424
Net Increase in Cash and Cash Equivalents	14,018,123	2,624,399	3,689,320
Cash and Cash Equivalents, Beginning of Period	7,891,661	21,909,784	24,534,183
Cash and Cash Equivalents, End of Year	$ 21,909,784	$ 24,534,183	$ 28,223,503
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	$ 3,591,943	$ 849,598	$ 1,952,352
Cash paid for income taxes	$ 6,473,357	$ 4,559,378	$ 7,164,082
Schedule of Noncash Investing and Financing Activities:			
Common stock issued for acquisitions	3,900,426	-	5,880,650
Liabilities assumed in purchase transactions	$ 5,295,847	$ -	$ 4,029,331

(1) Includes amounts provided (used) by related parties of $(466,812),$0 and $0 for the fiscal years ended March 31, 2000, 2001 and 2002.

(2) Includes amounts provided (used) by related parties of $(1,383), $(27,510) and $98,202 for the fiscal years ended March 31, 2000, 2001 and 2002.

(3) Includes amounts provided by related parties of $28,033,282, $14,254,197 and $0 for the fiscal years ended March 31, 2000, 2001 and 2002.

(4) Includes amounts provided (used) by related parties of $(219,603), $1,376,246 and $(628,218) for the fiscal years ended March 31, 2000, 2001 and 2002.

See Notes To Consolidated Financial Statements.

*e*Plus inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and For the Years Ended March 31, 2000, 2001, and 2002

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 consolidated 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 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, Charlotte, and 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 $29,535,000 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. Concurrent with the acquisition, CLG, Inc. was merged into MLC Group, Inc., a wholly-owned subsidiary of *e*Plus inc.

On October 4, 2001, the Company purchased all the outstanding stock of SourceOne Computer Corporation, a technology and services company located in Silicon Valley. Total consideration paid of $2,807,500 included $800,006 in cash and 274,999 shares of unregistered common stock, valued at $7.30 per share. The issuance of these securities was made in reliance on an exemption from registration provided by Section 4(2) or Regulation D of the Securities Act, as amended, as a transaction by an issuer not involving any public offering. The shareholders of SourceOne represented their intention to acquire the securities for investment only and not with a view to or for distribution in connection with such transaction, and an appropriate legend was affixed to the share certificates issued in the transaction. The shareholders of SourceOne had adequate access to information about *e*Plus through information made available to the shareholders of SourceOne. The shareholders of SourceOne were granted certain registration rights in connection with the transaction.

Asset Purchases - 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 purchase price of $751,452 consisted of $251,452 in cash and a $500,000, 8% interest bearing, non-negotiable promissory note, payable monthly, which matured on August 9, 2000. The assets and staff were merged into PC Plus, Inc., a wholly-owned subsidiary of the Company.

On May 15, 2001, the Company purchased certain assets and assumed certain liabilities of ProcureNet, Inc. The primary software assets acquired were OneSource, a comprehensive e-procurement software solution, MarketBuilder, a marketplace software solution, Common Language Generator software that is used for electronic catalogue cleaning and enrichment, several registered and applied for patents, trademarks and copyrights. The total consideration was approximately $5.9 million, which included $1 million in cash, 422,833 shares of unregistered common stock valued at $9.16 per share, and the remainder was the assumption of certain liabilities. The acquisition was accounted for as a purchase, and the assets were placed in two new wholly-owned subsidiaries: *e*Plus Systems, inc. and *e*Plus Content Services, inc.

On March 29, 2002, the Company purchased certain fixed assets, customer lists, and contracts, and assumed certain liabilities, relating to Elcom International, Inc.'s IT fulfillment and IT professional services business. The Elcom purchase added offices in Boston, San Diego, New Jersey, and New York City. The purchase price included $2.2 million in cash and the assumption of certain liabilities of approximately $0.1 million. The Company also obtained in the transaction 300,000 warrants for Elcom (NASD NM: ELCO) common stock for $1.03 per share.

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. The Company adopted SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" effective January 1, 1997, as amended by SFAS No. 140. This standard establishes 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.

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.

Revenue from sales of procurement software is recognized in accordance with the Statement of Position (SOP) 97-2, Software Revenue Recognition, as amended by SOP 98-4 and SOP 98-9. We recognize revenue when all the following criteria exist: when there is persuasive evidence that an arrangement exists, delivery has occurred, no significant obligations by the Company with regard to implementation remain, the sales price is determinable and it is probable that collection will occur. Our accounting policy requires that revenue earned on software arrangements involving multiple elements be allocated to each element on the relative fair values of the elements and recognized when earned. Revenue relative to maintenance and support is recognized ratably over the maintenance term (usually one year) and revenue allocated to training, implementation or other services is recognized as the services are performed.

Amounts charged for the Company'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 contractual period the services are provided. Fee and other income results from: (1) income from events that occur after the initial sale of a financial asset; (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 consolidated statements of earnings.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, or SAB 101, "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. There was no effect of implementing SAB 101 on the consolidated financial statements.

In July 2000, the Emerging Issues Task Force reached a consensus on EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal verses Net as an Agent," which addresses whether a company should recognize revenue based on the gross amount billed to the customer because it has earned revenue from the sale of the goods or whether the company should recognize revenue based on the net amount retained because, in substance, it has earned a commission. In September 2000, the Emerging Issues Task Force reached a consensus on EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," which addresses the statement of operations classification of shipping and handling fees billed to customers and shipping and handling costs incurred by companies that sell goods. The adoption of EITF Issues No. 99-19 and No. 00-10 in the fourth quarter of fiscal 2001 did not have a material impact on our financial position or results of operations.

Stock-based Compensation – The Company accounts for stock-based compensation for employees in accordance with Accounting Principle Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees," and comply with the disclosure provisions of Statement of Financial Accounting Standards, or SFAS, No. 123, "Accounting for Stock-based Compensation." Under APB Opinion No. 25, compensation expense is based on the difference, if any, on the measurement date, between the fair value of the common stock and the relevant exercise price. When applicable, the Company accounts for stock-based compensation to non-employees in accordance with the provisions of SFAS No. 123 and other applicable principals.

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25," which clarifies the application of APB Opinion No. 25 for some issues, including: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequences of various modifications to the terms of a previously fixed stock option or award; and the accounting for an exchange of stock compensation awards in a business combination.

Interpretation No. 44 became effective July 1, 2000, but some of the conclusions cover specific events that occurred before its effectiveness. The adoption of this guidance did not have a material impact on the Company's financial position or results of operations.

Residuals - Residual values, representing the estimated value of equipment at the termination of a lease, are recorded in the consolidated 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 lease inception. Residual values for sales-type and direct financing leases are recorded at their net present value and the unearned income 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, 2001 and 2002, the Company's reserve for credit losses was $4,279,479 and $6,771,339, respectively.

The company’s reserves for credit losses are segregated between our accounts receivable and our investment in direct financing leases as follows (in thousands):

	Accounts Receivable	Investment in Direct Financing Leases	Total
Balance April 1, 2000	$ 811	$ 1,848	$ 2,659
Bad Debts Expense	950	1,039	1,989
Recoveries	(369)	-	(369)
Assumed in Acquisitions	-	-	-
Other	-	-	-
Balance March 31, 2001	$ 1,392	$ 2,887	$ 4,279
Bad Debts Expense	1,324	165	1,489
Recoveries	(184)	-	(184)
Assumed in Acquisitions	73	-	73
Other	1,114	-	1,114
Balance March 31, 2002	$ 3,719	$ 3,052	$ 6,771

Balances in “Other” include reclasses from prior years. The Company assumed $72,631 in reserve for credit losses in the acquisition of SourceOne Computer Corporation.

Cash and Cash Equivalents - Cash and cash equivalents include short-term repurchase agreements with an original maturity of three months or less. Cash and cash equivalents includes $1,945,837 of restricted cash that is held as collateral for the Deutsche Financial Services Corporation floor planning facility.

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.

Investments - The Company had a 5% membership interest in MLC/CLC LLC, a joint venture to which the Company sold leased equipment. MLC/CLC LLC stopped purchasing leased equipment prior to the year ending March 31, 2002. Other assets reflects the Company's investment in MLC/CLC LLC of $628,218 and $0 as of March 31, 2001 and 2002, respectively, accounted for using the cost method. The company recorded an impairment of $1,085,000 and $628,218, recognized during the years ended March 31, 2001 and 2002 on this investment. Also included in other assets was an investment of $420,711 and $0 as of March 31, 2001 and 2002, respectively. The Company wrote off this investment in 2002 as the underlying equity in the start-up venture did not support the carrying amount of the Company's investment.

Capitalization of Software Costs for Internal Use - The Company has capitalized certain costs for the development of internal use software under the guidelines of Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Approximately, $1.1 million and $0.7 million of internal use software was capitalized during the years ended March 31, 2002 and 2001, respectively which is included in the accompanying consolidated balance sheet as a component of property and equipment.

Capitalization of Software Costs Available to Customers - In accordance with SFAS No. 86, Accounting for Costs of Computer Software to be Sold, Leased, or Otherwise Marketed, software development costs are expensed as incurred until technological feasibility has been established, at such time such costs are capitalized until the product is made available for release to customers. No development costs have been capitalized for the years ended March 31, 2002 or 2001 relative to software costs available to customers.

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.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2000 and 2001 financial statements to conform to the March 31, 2002 presentation.

Earnings Per Share - Earnings per share (EPS) 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 7,698,287 in fiscal 2000, 9,625,891 in 2001, and 10,235,129 in 2002. Diluted EPS amounts were calculated based on weighted average shares outstanding and common stock equivalents of 9,155,056 in fiscal 2000, 10,383,467 in 2001, and 10,485,235 in 2002. 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 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 which occurred on April 17, 2000. On April 11, 2000, TC Plus LLC exercised its options on a cashless basis and was 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 to be appointed, in whole or in part, by TC Plus LLC.

On April 17, 2000 the Company completed a secondary offering of 1,000,000 shares of its common stock at a price of $28.50 per share. Net proceeds to the Company were $25,936,388.

On May 25, 2000, the Company issued a common stock purchase warrant to a business partner which allowed the holder to purchase up to 50,000 shares of the Company's common stock at a price of $18.75 per share over a two-year period beginning July 1, 2000. The purchase warrant agreement was terminated on April 20, 2001, due to the insolvency of the business partner.

On September 20, 2001, the Company's Board of Directors authorized the repurchase from time to time of up to 750,000 shares of its outstanding common stock to a maximum of $5,000,000. As of March 31, 2002, the Company had repurchased 66,100 shares of its outstanding common stock at an average cost of $8.70 per share for a total of $574,800. Subsequent to year-end and as of June 21, 2002, we repurchased an additional 40,000 shares at an average price of $8.68 for a total of $347,000.

Recent Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which, as amended by SFAS No. 138, establishes accounting and reporting standards for derivative instruments, including some derivative instruments embedded in other contracts, and for 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. Effective April 1, 2001, the Company adopted SFAS No. 133, as amended. The adoption did not have a material impact on the Company's consolidated financial statements.

Effective April 1, 2001, the Company adopted SFAS No. 140, "Accounting for Transfer and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125," which revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries over the majority of SFAS No. 125's provisions without reconsideration. The Company's adoption of SFAS No. 140 did not have a material impact on its financial position or results of operations.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 addresses the accounting and reporting for business combinations and broadens the criteria for recording intangible assets separate from goodwill. On July 1, 2001, the Company adopted SFAS No. 141 which requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. The Company's adoption of SFAS No. 141 did not have a material impact on its financial statements.

On July 20, 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." The Company has adopted SFAS No. 142 retroactive to April 1, 2001, as permitted. SFAS No. 142 requires that goodwill and other intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually.

SFAS No. 142 requires the Company to perform a transitional assessment of whether there is an indication that the goodwill is impaired as of the date of adoption. The Company will then have a transition period from the date of adoption to determine the fair value of each reporting unit and if goodwill has been impaired. Any goodwill impairment loss will be recognized as the cumulative effect of a change in accounting principle no later than the end of the fiscal year of adoption. We have completed this test and determined that no potential impairment existed. The Company will also be required to review its other intangible assets for impairment and to reassess the useful lives of such assets and make any necessary adjustments.

As of March 31, 2002, the Company had goodwill, net of accumulated amortization, of $22.1 million, which was subject to the transitional assessment provisions of SFAS No. 142. Amortization expense related to goodwill was $692,161 and $268,385, before income taxes, for the year ended March 31, 2001 and March 31, 2000, respectively. No goodwill amortization expense was recognized during the year ended March 31, 2002.

Changes in the carrying amount of goodwill for the year ended March 31, 2002 are as follows:

	Financing Business Unit	Technology Sales Business Unit	Total
Goodwill (net), April 1, 2001	$ 6,994,679	$ 6,002,164	$ 12,996,843
Goodwill acquired during the period	-	9,086,465	9,086,465
Impairment losses during the period	-	-	-
Goodwill (net), March 31, 2002	$ 6,994,679	$ 15,088,629	$ 22,083,308

The following pro forma information presents the Company's net income, as adjusted for the elimination of goodwill as set forth in SFAS No. 142:

	For the year ended March 31,		
	2000	2001	2002
Net income, as reported	$8,375,368	$8,318,200	$8,911,723
Amortization of goodwill, net of taxes	161,031	415,297	-
Pro forma net income	$8,536,399	$8,733,497	$8,911,723
Pro forma net income per share, basic	$ 1.11	$ 0.91	$ 0.87
Pro forma net income per share, diluted	$ 0.93	$ 0.84	$ 0.85

2. INVESTMENTS IN LEASES AND LEASED EQUIPMENT - NET

Investments in leases and leased equipment – net consists of the following:

	As of March 31,	
	2001	2002
	(In Thousands)	
Investment in direct financing and sales-type leases – net	$ 198,563	$ 167,628
Investment in operating lease equipment – net	4,283	1,459
	$ 202,846	$ 169,087

INVESTMENT IN DIRECT FINANCING AND SALES-TYPE LEASES

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

	As of March 31, 2001	As of March 31, 2002
	(In Thousands)	
Minimum lease payments	$ 191,792	$ 161,788
Estimated unguaranteed residual value	29,231	25,880
Initial direct costs, net of amortization (1)	3,531	3,424
Less: Unearned lease income	(23,104)	(20,412)
Reserve for credit losses	(2,887)	(3,052)
Investment in direct finance and sales type leases, net	$ 198,563	$ 167,628

(1) Initial direct costs are shown net of amortization of $5,014 and $5,486 at March 31, 2001 and 2002, respectively.

Future scheduled minimum lease rental payments as of March 31, 2002 are as follows:

	(In Thousands)
Year ending March 31, 2003	$ 96,309
2004	47,628
2005	12,401
2006	2,885
2007 and thereafter	2,565
	$ 161,788

The Company's net investment in direct financing and sales-type leases is collateral for non-recourse and recourse equipment notes. See Note 4.

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, 2001	2002
	(In Thousands)	
Cost of equipment under operating leases	$ 20,589	$ 13,916
Initial direct costs	15	14
Less: Accumulated depreciation and Amortization	(16,321)	(12,471)
Investment in operating lease equipment, net	$ 4,283	$ 1,459

Future scheduled minimum lease rental payments as of March 31, 2002 are as follows:

		(In Thousands)
Year Ending March 31,	2003	$ 1,298
	2004	247
	2005	2
		$ 1,547

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	As of March 31, 2001	2002
	(In Thousands)	
Furniture, fixtures and equipment	$ 4,580	$ 5,315
Vehicles	139	121
Capitalized software	3,603	5,638
Leasehold improvements	228	288
Less: Accumulated depreciation and amortization	(3,334)	(5,218)
Property and equipment, net	$ 5,216	$ 6,144

4. RECOURSE AND NON-RECOURSE NOTES PAYABLE

Recourse and non-recourse obligations consist of the following:

	As of March 31, 2001	2002
	(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 2001 and 2002	$479	$498
Recourse line of credit with a maximum balance of $35,000,000 bearing interest at the LIBOR rate plus 150 basis points for thirty day draws, or, at the Company's option, prime for overnight draws expiring April, 2004;4.75% interest rate effective on balance as of March 31, 2002	5,000	1,000
Recourse line of credit with a maximum balance of $33,000,000 bearing interest at prime less .5%	113	0
Recourse equipment notes with varying interest rates ranging from 7.13% to 8.25%, secured by related investment in equipment	220	98
Recourse note payable secured by investment in leases with 11% interest payable monthly, and principal balance due October, 2006	3,064	3,064
Total recourse obligations	$8,876	$4,660

Non-recourse equipment notes secured by related investments in leases with interest rates ranging from 5.14% to 14.00% in fiscal year 2001 and from 3.04% to 13.5% in fiscal year 2002		
	$157,960	$129,095

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 Company. 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 Company.

Borrowings under the Company's $35 million line of credit are subject to certain covenants regarding minimum consolidated tangible net worth, maximum recourse debt to net 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 $35 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, 2002, mature as follows:

		Recourse Notes Payable	Non-recourse Notes Payable
		(In Thousands)	
Year ending March 31,	2003	$ 1,332	$ 56,294
	2004	264	50,595
	2005	-	16,477
	2006	-	3,388
	2007 and thereafter	3,064	2,341
		$ 4,660	$ 129,095

5. RELATED PARTY TRANSACTIONS

The Company provided loans and advances to employees, the balances of which amounted to $66,082 and $69,042 as of March 31, 2001 and 2002, respectively. Such balances are to be repaid from commissions earned on successful sales or financing arrangements obtained on behalf of the Company, or via payroll deductions.

As of March 31, 2001 and 2002, the Company's other assets includes $97,349 payable to and $853 receivable from United Federal Leasing, respectively, which is owned in part by an individual related to a Company executive.

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. During the year ended March 31, 2001, $420,711 of unpaid advances were converted into a common stock investment in a successor entity, and is included in other assets.

During the years ended March 31, 2000 and 2001, the Company sold leased equipment to MLC/CLC LLC, a joint venture in which the Company has a 5% ownership interest, that amounted to 11% and 5% of the Company's revenues, respectively. MLC/CLC LLC stopped purchasing leased equipment prior to the year ending March 31, 2002. Revenue recognized from the sales for the years ended March 31, 2000 and 2001 was $28,666,120 and $14,654,844, respectively. The basis for the equipment sold was $28,033,282 and $14,254,197, respectively. Notes receivable as of March 31, 2000 included $169,261 due from the joint venture. Other assets reflects the investment in the joint venture of $1,608,669, $628,218, and $0 as of March 31, 2000, 2001 and 2002, respectively, accounted for using the cost method, and reflects an impairment of $1,085,000 and $628,218 recognized during the years ended March 31, 2001 and 2002. The Company received an origination fee on leased equipment sold to the joint venture. In addition, the Company recognized $310,879, $268,762, and $147,305 for the years ended March 31, 2000, 2001 and 2002 for accounting and administrative services provided to MLC/CLC LLC.

The Company leases certain office space from entities that are owned, in part, by executives the Company and of subsidiaries of the Company. During the years ended March 31, 2000, 2001, and 2002, rent expense paid to these related parties was $228,000, $248,849, and $274,600, respectively.

6. 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 $799,384, $1,222,389, and $1,984,833 for the years ended March 31, 2000, 2001, and 2002, respectively. As of March 31, 2002, the future minimum lease payments are due as follows:

		(In Thousands)
Year Ending March 31,	2003	$ 1,507
	2004	1,041
	2005	501
	2006	51
		$ 3,100

7. INCOME TAXES

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

	For the Year Ended March 31, 2000	2001	2002
	(In Thousands)		
Statutory federal income tax rate	34%	34%	34%
Income tax expense computed at the statutory federal rate	$ 4,845	$ 4,755	$ 5,073
State income tax expense, net of federal tax	547	678	939
Non-taxable interest income	(21)	(15)	(9)
Non-deductible expenses	504	249	7
Provision for income taxes	$ 5,875	$ 5,667	$ 6,010
Effective income tax rate	41.23%	40.52%	40.28%

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

	For the Year Ended March 31, 2000	2001	2002
	(In Thousands)		
Current:			
Federal	$ 7,126	$ 5,237	$ 8,836
State	1,278	1,502	2,335
	8,404	6,739	11,171
Deferred:			
Federal	$ (2,080)	$ (762)	$ (4,249)
State	(449)	(310)	(912)
	(2,529)	(1,072)	(5,161)
	$ 5,875	$ 5,667	$ 6,010

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

	For the Year Ended March 31, 2000	2001	2002
	(In Thousands)		
Alternative minimum tax	$ (161)	$ 1,701	$ -
Lease revenue recognition	(1,681)	(198)	(3,639)
Other	(687)	(2,575)	(1,522)
	$ (2,529)	$ (1,072)	$ (5,161)

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 asset (liability) consists of the following:

	For the Year Ended March 31,		
	2000	2001	2002
	(In Thousands)		
Alternative minimum tax	$ 1,701	$ -	$ -
Lease revenue recognition	(3,039)	(2,841)	798
Allowance for doubtful accounts and credit reserves	314	2,377	3,890
Other	262	774	784
	$ (762)	$ 310	$ 5,472

8. NONCASH INVESTING AND FINANCING ACTIVITIES

The Company recognized a reduction in recourse and non-recourse notes payable (Note 4) associated with its direct finance and operating lease activities from payments made directly by customers to third-party lenders amounting to $28,739,422, $33,004,241 and $13,431,543 for the years ended March 31, 2000, 2001, and 2002, 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 $22,727,174, $5,828,340 and $6,255,282 for the years ended March 31, 2000, 2001, and 2002, respectively.

9. 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 contribution percentages are determined by the Company and are discretionary each year. The Company's expense for the plans was $88,500, $370,082 and $(241,017) for the years ended March 31, 2000, 2001 and 2002, respectively. The negative expense in the current fiscal year represents the reduction in current and prior year accruals for discretionary employer contributions.

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 awards 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, nonqualified 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 that 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, 2002 a total of 2,475,770 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 1,966,500 options are outstanding or have been exercised as of March 31, 2002;

b) the Nonqualified Stock Option Plan (“Nonqualified Plan”), under which 260,000 options are outstanding as of March 31, 2002;

c) the Outside Director Stock Option Plan ("Outside Director Plan"), under which 53,707 are outstanding or have been exercised as of March 31, 2002;

d) the Employee Stock Purchase Plan (“ESPP”) under which 105,483 shares have been issued as of March 31, 2002.

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, 2000, 2001 and 2002 was $5.50, $9.86 and $5.14 per share, respectively.

A summary of stock option activity during the three years ended March 31, 2002 is as follows:

	Number of Shares	Exercise Price Range	Weighted Average Exercise Price
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		
Outstanding, April 1, 2000	1,265,945	–	–
Options granted	578,806	$7.75 - $17.38	$13.09
Options exercised	(37,685)	$7.25 - $13.00	$7.96
Options forfeited	(90,781)	$7.25 - $17.38	$12.69
Outstanding, March 31, 2001	1,716,285		
Exercisable, March 31, 2001	1,000,765		
Outstanding, April 1, 2001	1,716,285	–	–
Options granted	728,150	$6.24 - $8.65	$ 6.83
Options exercised	(570)	$9.00	$ 9.00
Options forfeited	(263,280)	$6.24 - $17.38	$ 8.43
Outstanding, March 31, 2002	2,180,585		
Exercisable, March 31, 2002	1,249,245		

Additional information regarding options outstanding as of March 31, 2002 is as follows:

Options Outstanding			Options Exercisable	
Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
2,180,585	7.6 years	$9.20	1,249,245	$9.20

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. 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 2000:

	Year Ended March 31,		
	2000	2001	2002
Net earnings, as reported	$ 8,375,368	$ 8,318,200	$ 8,911,722
Net earnings, pro forma	$ 6,861,442	$ 5,877,713	$ 5,786,235
Basic earnings per share, as reported	$ 1.09	$ 0.86	$ 0.87
Basic earnings per share, pro forma	$ 0.89	$ 0.61	$ 0.57
Diluted earnings per share, as reported	$ 0.91	$ 0.80	$ 0.85
Diluted earnings per share, pro forma	$ 0.75	$ 0.57	$ 0.55

Under SFAS No. 123, the fair value of stock-based awards to employees is derived through the use of option pricing models that 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,		
	2000	2001	2002
Options granted under the Incentive Stock Option Plan:			
Expected life of option	5 years	5 years	5 years
Expected stock price volatility	80.67%	97.87%	92.44%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	5.95%	5.52%	4.13%

10. 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 Company determines the fair value of notes payable by applying an average portfolio debt rate and applying such rate to future cash flows of the respective financial instruments. The fair value of cash and cash equivalents is determined to equal the book value.

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

	As of March 31, 2001		As of March 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Assets:				
Cash and cash equivalents	$ 24,534	$ 24,534	$ 28,224	$ 28,224
Liabilities:				
Non-recourse notes payable	157,960	157,756	129,095	128,181
Recourse notes payable	8,876	8,876	4,660	4,660

11. PRIVATE PLACEMENTS OF COMMON STOCK AND WARRANT

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.

On May 25, 2000 the Company issued a purchase warrant to an outside business partner. The warrant allowed the holder to purchase 50,000 shares of the Company’s common stock at a price of $18.75 per share. The purchase warrant agreement was terminated on April 20, 2001 due to insolvency of the business partner.

12. 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 business unit and technology sales business unit. The financing business unit offers lease-financing solutions to corporations and governmental entities nationwide. The technology sales business unit sells information technology equipment and software and related services primarily to corporate customers on a nationwide basis. The technology sales business unit also 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 of segment net earnings.

Both segments utilize the Company's proprietary software and services throughout the organization. Sales and services and related costs of e-procurement software are included in the technology sales business unit. Fees and other income relative to services generated by our proprietary software and services are included in the financing business unit.

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.

The Company changed reporting segments during the year ended March 31, 2002. All prior year balances have been reclassified to conform to the new reporting segments.

	Financing Business Unit		Technology Sales Business Unit		Total
	(In Thousands)				
Twelve months ended March 31, 2000					
Sales of equipment	$ 2,103,603	$	164,148,575	$	166,252,178
Sales of leased equipment	57,360,366		-		57,360,366
Lease revenues	31,374,244		-		31,374,244
Fee and other income	2,731,689		7,015,329		9,747,018
Total Revenues	93,569,902		171,163,904		264,733,806
Cost of sales	56,796,063		145,867,290		202,663,353
Direct lease costs	8,025,342		-		8,025,342
Selling, general and administrative expenses	11,795,632		16,609,231		28,404,863
Segment earnings	16,952,865		8,687,383		25,640,248
Interest expense	11,016,120		373,562		11,389,682
Earnings before income taxes	5,936,745		8,313,821		14,250,566
Assets	$ 295,690,609	$	49,644,139	$	345,334,748
Twelve months ended March 31, 2001					
Sales of equipment	$ 777,780	$	215,405,401	$	216,183,181
Sales of leased equipment	34,031,381		-		34,031,381
Lease revenues	42,693,839		-		42,693,839
Fee and other income	7,196,836		6,480,659		13,677,495
Total Revenues	84,699,836		221,886,060		306,585,896
Cost of sales	34,411,304		181,391,784		215,803,088
Direct lease costs	16,534,992		-		16,534,992
Selling, general and administrative expenses	20,772,486		23,967,608		44,740,094
Segment earnings	12,981,054		16,526,668		29,507,722
Interest expense	15,242,395		280,502		15,522,897
Earnings before income taxes	(2,261,341)		16,246,166		13,984,825
Assets	$ 258,119,292	$	52,746,068	$	310,865,360
Twelve months ended March 31, 2002					
Sales of equipment	$ 1,057,862	$	126,695,453	$	127,753,315
Sales of leased equipment	9,353,088		-		9,353,088
Lease revenues	48,850,017		-		48,850,017
Fee and other income	10,085,448		8,943,478		19,028,926
Total Revenues	69,346,415		135,638,931		204,985,346
Cost of sales	11,872,337		108,769,826		120,642,163
Direct lease costs	9,578,631		-		9,578,631
Selling, general and administrative expenses	22,500,221		25,532,396		48,032,617
Segment earnings	25,395,226		1,336,709		26,731,935
Interest expense	11,156,721		653,693		11,810,414
Earnings before income taxes	14,238,505		683,016		14,921,521
Assets	$ 228,505,936	$	50,489,618	$	278,995,554

13. 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 to current period presentation.

	First Quarter			Second Quarter		
	Previously Reported	Adjustments	Adjusted Amount	Previously Reported	Adjustments	Adjusted Amount
Year Ended March 31, 2001						
Sales	$ 72,112	$ -	$ 72,112	$ 64,734	$ -	$ 64,734
Total Revenues	83,613	-	83,613	77,752	-	77,752
Cost of Sales	63,738	-	63,738	56,771	-	56,771
Total Costs and Expenses	79,472	-	79,472	74,348	-	74,348
Earnings before provision for income taxes	4,141	-	4,141	3,404	-	3,404
Provision for income taxes	1,657	-	1,657	1,381	-	1,381
Net earnings	2,484	-	2,484	2,023	-	2,023
Net earnings per common share-Basic (1)	$ 0.26		$ 0.26	$ 0.21		$ 0.21
Year Ended March 31, 2002						
Sales	$ 36,906	$ -	$ 36,906	$ 30,667	$ -	$ 30,667
Total Revenues	53,293	-	53,293	47,146	-	47,146
Cost of Sales	31,779	-	31,779	25,846	-	25,846
Total Costs and Expenses	49,728	-	49,728	43,481	-	43,481
Earnings before provision for income taxes	3,565	-	3,565	3,665	-	3,665
Provision for income taxes	1,426	-	1,426	1,466	-	1,466
Net earnings	2,139	-	2,139	2,199	-	2,199
Net earnings per common share-Basic (1)	$ 0.22		$ 0.22	$ 0.22		$ 0.22

	Third Quarter			Fourth Quarter		
	Previously Reported	Adjustments	Adjusted Amount	Previously Reported	Adjustments	Adjusted Amount
Year Ended March 31, 2001						
Sales	$ 59,351	$ -	$ 59,351	$ 54,018	$ -	$ 54,018
Total Revenues	73,675	-	73,675	71,546	-	71,546
Cost of Sales	49,164	-	49,164	46,130	-	46,130
Total Costs and Expenses	70,703	-	70,703	68,078	-	68,078
Earnings before provision for income taxes	2,972	-	2,972	3,468	-	3,468
Provision for income taxes	1,243	-	1,243	1,386	-	1,386
Net earnings	1,729	-	1,729	2,082	-	2,082
Net earnings per common share-Basic (1)	$ 0.18		$ 0.18	$ 0.21		$ 0.21
Year Ended March 31, 2002						
Sales	$ 39,716	$ -	$ 39,716	$ 29,644	$ -	$ 29,644
Total Revenues	55,812	-	55,812	48,734	-	48,734
Cost of Sales	35,444	-	35,444	26,633	-	26,633
Total Costs and Expenses	52,251	-	52,251	44,604	-	44,604
Earnings before provision for income taxes	3,561	-	3,561	4,130	-	4,130
Provision for income taxes	1,424	-	1,424	1,693	-	1,693
Net earnings	2,137	-	2,137	2,437	-	2,437
Net earnings per common share-Basic (1)	$ 0.20		$ 0.20	$ 0.23		$ 0.23

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

SCHEDULE II

***e*Plus inc. AND SUBSIDIARIES**

VALUATION AND QUALIFYING ACCOUNTS
For the three years ended March 31, 2000, 2001, and 2002
(In Thousands)

Column A - Description	Column B Balance at beginning of period	Column C - Additions (1) Charged to costs and expenses	Column C - Additions (2) Charged to other accounts	Column D Deductions	Column E Balance at end of period
2002 Allowance for doubtful accounts and credit loss	$4,279	$1,489	$1,187	$184	$6,771
2001 Allowance for doubtful accounts and credit loss	$2,659	$1,989	$0	$369	$4,279
2000 Allowance for doubtful accounts and credit losses	$728	$733	$1,731	$533	$2,659

Exhibit 21.1

Subsidiaries of the Company
----

*e*Plus Group, inc., a Commonwealth of Virginia corporation, a wholly owned subsidiary

*e*Plus Technology of NC, inc., a State of Delaware corporation, a wholly owned subsidiary

*e*Plus Technology of PA, inc., a Commonwealth of Pennsylvania corporation, a wholly owned subsidiary

*e*Plus Technology, inc., a Commonwealth of Virginia corporation, a wholly owned subsidiary

*e*Plus Government, inc., a Commonwealth of Virginia corporation, a wholly owned subsidiary

*e*Plus Capital, inc., a State of Delaware corporation, a wholly owned subsidiary

*e*Plus Content Services, inc., a Virginia corporation, a wholly owned subsidiary

*e*Plus Systems, inc., a Virginia corporation, a wholly owned subsidiary

*e*Plus Canada Company, registered in Canada, a wholly-owned subsidiary of *e*Plus Capital, inc.

MLC Leasing, SA. de CV., registered in Mexico, a subsidiary wholly owned by *e*Plus Group, inc. and *e*Plus Technology of NC, inc.

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