EPLUS INC
Form 10-Q
February 03, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2016

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: 1-34167

ePlus 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.)

13595 Dulles Technology Drive, Herndon, VA 20171-3413
(Address, including zip code, of principal executive offices)

Registrant's telephone number, including area code: (703) 984-8400

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The number of shares of common stock outstanding as of January 31, 2017 was 7,080,467

TABLE OF CONTENTS

ePlus inc. AND SUBSIDIARIES

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or "Exchange Act," and are made in reliance upon the protections provided by such acts for forward-looking statements. Such statements are not based on historical fact, but are based upon numerous assumptions about future conditions that may not occur. Forward-looking statements are generally identifiable by use of forward-looking words such as "may," "should," "would," "intend," "estimate," "will," "potential," "poss "could," "believe," "expect," "intend," "plan," "anticipate," "project," and similar expressions. Readers are cautioned not to pla undue reliance on any forward-looking statements made by us or on our behalf. Forward-looking statements are made based upon information that is currently available or management's current expectations and beliefs concerning future developments and their potential effects upon us, speak only as of the date hereof, and are subject to certain risks and uncertainties. We do not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur, or of which we hereafter become aware. Actual events, transactions and results may materially differ from the anticipated events, transactions or results described in such statements. Our ability to consummate such transactions and achieve such events or results is subject to certain risks and uncertainties. Such risks and uncertainties include, but are not limited to, the matters set forth below:

- national and international political instability fostering uncertainty and volatility in the global economy including exposure to fluctuation in foreign currency rates, and downward pressure on prices;
- significant adverse changes in, reductions in, or loss of our largest customer or one or more of our large customers, or vendors;
- exposure to changes in, interpretations of, or enforcement trends in legislation and regulatory matters;
- the creditworthiness of our customers and our ability to reserve adequately for credit losses;
- reduction of vendor incentives provided to us;
- we offer a comprehensive set of solutions — integrating information technology (IT) product sales, third-party software assurance and maintenance, our advanced professional and managed services, our proprietary software, and financing, and encounter the following challenges, risks, difficulties and uncertainties:
  - managing a diverse product set of solutions in highly competitive markets with a number of key vendors;
  - increasing the total number of customers utilizing integrated solutions by up-selling within our customer base and gaining new customers;
  - adapting to meet changes in markets and competitive developments;
  - maintaining and increasing advanced professional services by retaining highly skilled personnel and vendor certifications;
  - increasing the total number of customers who utilize our managed services and professional services and continuing to enhance our managed services offerings to remain competitive in the marketplace;
  - maintaining our proprietary software and updating our technology infrastructure to remain competitive in the marketplace; and
  - reliance on third parties to perform some of our service obligations;
- changes in the IT industry and/or rapid changes in product offerings, including the proliferation of the cloud, infrastructure as a service and software as a service;
- our dependency on continued innovations in hardware, software, and services offerings by our vendors and our ability to partner with them;
- future growth rates in our core businesses;
- failure to comply with public sector contracts or applicable laws;
- changes to or loss of members of our senior management team and/or failure to successfully implement succession plans;
- our dependence on key personnel to maintain certain customer relationships, and our ability to hire, train, and retain sufficient qualified personnel;
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our ability to implement comprehensive plans for the integration of sales forces, cost containment, asset rationalization, systems integration and other key strategies;

- a possible decrease in the capital spending budgets of our customers or a decrease in purchases from us;
- our contracts may not be adequate to protect us and our professional and liability insurance policies coverage may be insufficient to cover a claim;
- disruptions in our IT systems and data and audio communication networks;

Table of Contents

- our ability to secure our customers' electronic and other confidential information, and remain secure during a cyber-security attack;
- our ability to raise capital, maintain or increase as needed our lines of credit with vendors or floor planning facility, or obtain debt for our financing transactions or the effect of those changes on our common stock or its holders;
- our ability to realize our investment in leased equipment;
- our ability to successfully integrate acquired businesses;
- the possibility of goodwill impairment charges in the future;
- our ability to protect our intellectual property rights and successfully defend any challenges to the validity of our patents or allegations that we are infringing upon any third party patents, and the costs associated with those actions, and, when appropriate, license required technology; and
- significant changes in accounting standards including changes to the financial reporting of leases which could impact the demand for our leasing services, or misclassification of products and services we sell resulting in the misapplication of revenue recognition policies.

We cannot be certain that our business strategy will be successful or that we will successfully address these and other challenges, risks and uncertainties. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see Item 1A, "Risk Factors" and Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections contained elsewhere in this report, as well as other reports that we file with the Securities and Exchange Commission ("SEC").

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ePlus inc. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	As of December 31, 2016	As of March 31, 2016
	(in thousands, except per share data)	
Current assets:		
Cash and cash equivalents	$ 69,677	$ 94,766
Accounts receivable—trade, net	297,460	234,628
Accounts receivable—other, net	34,183	41,771
Inventories—net	111,076	33,343
Financing receivables—net, current	65,945	56,448
Deferred costs	6,418	6,371
Other current assets	4,035	10,649
Total current assets	588,794	477,976
Financing receivables and operating leases—net	74,490	75,906
Property, equipment and other assets	11,704	8,644
Goodwill and other intangible assets—net	61,690	54,154
TOTAL ASSETS	$ 736,678	$ 616,680
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	$ 121,562	$ 76,780
Accounts payable—floor plan	120,854	121,893
Salaries and commissions payable	17,412	14,981
Deferred revenue	63,665	18,344
Recourse notes payable—current	1,605	2,288
Non-recourse notes payable—current	41,785	26,042
Other current liabilities	15,842	13,118
Total current liabilities	382,725	273,446
Recourse notes payable—long term	-	1,054
Non-recourse notes payable—long term	10,608	18,038
Deferred tax liability—net	3,075	3,001
Other liabilities	6,475	2,263
TOTAL LIABILITIES	402,883	297,802

COMMITMENTS AND CONTINGENCIES (Note 8)

STOCKHOLDERS' EQUITY		
Preferred stock, $.01 per share par value; 2,000 shares authorized; none issued or outstanding	-	-
Common stock, $.01 per share par value; 25,000 shares authorized;13,310 issued and 7,080 outstanding at December 31, 2016 and 13,237 issued and 7,365 outstanding at March 31, 2016	133	132
Additional paid-in capital	122,031	117,511
Treasury stock, at cost, 6,230 and 5,872 shares at December 31, 2016 and March 31, 2016, respectively	(158,948)	(129,518)
Retained earnings	371,290	331,224
Accumulated other comprehensive income—foreign currency translation adjustment	(711)	(471)
Total Stockholders' Equity	333,795	318,878
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 736,678	$ 616,680

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

ePlus inc. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
	(in thousands, except per share data)			
Net sales	$326,657	$298,644	$ 996,622	$ 904,796
Cost of sales	252,871	234,584	773,239	709,685
Gross profit	73,786	64,060	223,383	195,111
Professional and other fees	1,397	1,882	4,918	4,913
Salaries and benefits	42,385	37,372	124,479	108,326
General and administrative expenses	6,378	5,434	20,424	17,390
Depreciation and amortization	1,910	1,331	5,408	3,739
Interest and financing costs	409	396	1,158	1,371
Operating expenses	52,479	46,415	156,387	135,739
Operating income	21,307	17,645	66,996	59,372
Other income	-	-	380	-
Earnings before tax	21,307	17,645	67,376	59,372
Provision for income taxes	8,687	7,348	27,310	24,582
Net earnings	$12,620	$10,297	$ 40,066	$ 34,790
Net earnings per common share—basic	$1.83	$1.41	$ 5.77	$ 4.79
Net earnings per common share—diluted	$1.81	$1.40	$ 5.71	$ 4.74
Weighted average common shares outstanding—basic	6,896	7,280	6,946	7,260
Weighted average common shares outstanding—diluted	6,960	7,329	7,013	7,336

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

ePlus inc. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
	(amounts in thousands)			
NET EARNINGS	$12,620	$10,297	$40,066	$34,790
OTHER COMPREHENSIVE INCOME, NET OF TAX:				
Foreign currency translation adjustments	(145)	(139)	(240)	(273)
Other comprehensive income (loss)	(145)	(139)	(240)	(273)
TOTAL COMPREHENSIVE INCOME	$12,475	$10,158	$39,826	$34,517

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

ePlus inc. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended December 31,	
	2016	2015
	(in thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 40,066	$ 34,790
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	8,758	13,020
Reserve for credit losses, inventory obsolescence and sales returns	926	(91)
Share-based compensation expense	4,520	4,210
Deferred taxes	89	-
Payments from lessees directly to lenders—operating leases	(1,831)	(3,587)
Gain on disposal of property, equipment and operating lease equipment	(3,742)	(2,621)
Gain on sale of financing receivables	(3,968)	(5,439)
Other	227	224
Changes in:		
Accounts receivable—trade	(57,732)	(31,692)
Accounts receivable—other	(4,232)	(1,176)
Inventories	(77,422)	(5,643)
Financing receivables—net	17,797	(10,670)
Deferred costs, other intangible assets and other assets	1,838	5,888
Accounts payable	53,208	(5,912)
Salaries and commissions payable, deferred revenue and other liabilities	51,200	(9,018)
Net provided by (cash used) in operating activities	$ 29,702	$ (17,717)
Cash Flows From Investing Activities:		
Proceeds from sale of property, equipment and operating lease equipment	6,380	5,349
Purchases of property, equipment and operating lease equipment	(7,300)	(17,008)
Purchases of assets to be leased or financed	(5,897)	(10,828)
Issuance of financing receivables	(114,671)	(102,612)
Repayments of financing receivables	44,091	49,230
Proceeds from sale of financing receivables	39,857	48,174
Cash used in acquisitions, net of cash acquired	(9,500)	(16,649)
Net cash used in investing activities	$ (47,040)	$ (44,344)

Table of Contents

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - continued

	Nine Months Ended December 31, 2016	2015
	(in thousands)	
Cash Flows From Financing Activities:		
Borrowings of non-recourse and recourse notes payable	34,020	$ 27,865
Repayments of non-recourse and recourse notes payable	(5,412)	(254)
Repurchase of common stock	(30,493)	(2,475)
Dividends paid	-	(80)
Payments of contingent consideration	(718)	(1,158)
Net borrowings (repayments) on floor plan facility	(5,602)	28,581
Net cash provided by (used in) financing activities	(8,205)	52,479
Effect of exchange rate changes on cash	454	(26)
Net Decrease in Cash and Cash Equivalents	(25,089)	(9,608)
Cash and Cash Equivalents, Beginning of Period	94,766	76,175
Cash and Cash Equivalents, End of Period	$ 69,677	$ 66,567
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 38	$ 65
Cash paid for income taxes	$ 23,381	$ 26,463
Schedule of Non-Cash Investing and Financing Activities:		
Investing Activities		
Proceeds from sale of property, equipment, and operating lease equipment	$ 429	$ 7,993
Purchase of property, equipment, and operating lease equipment	$ (2,442)	$ (11,985)
Purchase of assets to be leased or financed	$ (12,700)	$ (8,554)
Issuance of financing receivables	$ (110,120)	$ (91,022)
Repayment of financing receivables	$ 16,454	$ 12,357
Proceeds from sale of financing receivables	$ 104,430	$ 75,584
Financing Activities		
Borrowing of non-recourse and recourse notes payable	$ 33,651	$ 42,840
Repayments of non-recourse and recourse notes payable	$ (20,438)	$ (22,292)
Vesting of share-based compensation	$ 7,982	$ 7,743

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

ePlus inc. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In	Treasury	Retained	Accumulated Other Comprehensive	
	Shares	Par Value	Capital	Stock	Earnings	Income	Total
Balance, April 1, 2016	7,365	$ 132	$ 117,511	$(129,518)	$331,224	$ (471)	$318,878
Issuance of restricted stock awards	73	1	-	-	-	-	1
Share-based compensation	-	-	4,520	-	-	-	4,520
Repurchase of common stock	(358)	-	-	(29,430)	-	-	(29,430)
Net earnings	-	-	-	-	40,066	-	40,066
Foreign currency translation adjustment	-	-	-	-	-	(240)	(240)
Balance, December 31, 2016	7,080	$ 133	$ 122,031	$(158,948)	$371,290	$ (711)	$333,795

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents
ePlus inc. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS — Our company was founded in 1990 and is a Delaware corporation. ePlus inc. is sometimes referred to in this Quarterly Report on Form 10-Q as "we," "our," "us," "ourselves," or "ePlus." ePlus inc. is a holding company that through its subsidiaries provides information technology solutions which enable organizations to optimize their IT environment and supply chain processes. We also provide consulting, professional and managed services and complete lifecycle management services including flexible financing solutions. We focus on middle market and large enterprises in North America and the United Kingdom.

BASIS OF PRESENTATION — The consolidated financial statements include the accounts of ePlus inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The accounts of businesses acquired are included in the consolidated financial statements from the dates of acquisition.

INTERIM FINANCIAL STATEMENTS — The unaudited condensed consolidated financial statements for the three and nine months ended December 31, 2016 and 2015 were prepared by us, without audit, and include all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of our financial position, results of operations, changes in comprehensive income and cash flows for such periods. Operating results for the three and nine months ended December 31, 2016 and 2015 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year ending March 31, 2017 or any other future period. These unaudited condensed consolidated financial statements do not include all disclosures required by the accounting principles generally accepted in the United States (“U.S. GAAP”) for annual financial statements. Our audited consolidated financial statements are contained in our annual report on Form 10-K for the year ended March 31, 2016 (“2016 Financial Statements”), which should be read in conjunction with these interim condensed consolidated financial statements.

USE OF ESTIMATES — The preparation of financial statements in conformity with U. S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Estimates are used when accounting for items and matters including, but not limited to, revenue recognition, residual values, vendor consideration, lease classification, goodwill and intangible assets, reserves for credit losses, inventory obsolescence, and the recognition and measurement of income tax assets and other provisions and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

The notes to the consolidated financial statements contained in the 2016 Financial Statements include additional discussion of the significant accounting policies and estimates used in the preparation of our consolidated financial statements. There have been no material changes to our significant accounting policies and estimates during the nine months ended December 31, 2016.

DEFERRED COSTS AND DEFERRED REVENUES — Deferred costs include internal and third party costs associated with deferred revenue arrangements. Deferred revenue includes payments received from customers in advance of delivering equipment and software or performing professional, managed and hosting services and amounts deferred when any of the other revenue recognition criteria have not been met. At December 31, 2016, total deferred costs and revenues were $9.4 million and $67.3 million, respectively, compared to $8.2 million and $20.2 million, respectively, as of March 31, 2016. The increase in deferred revenue is primarily due to prepayments by a customer for equipment that we expect to deliver in the next three to six months.

CONCENTRATIONS OF RISK — A substantial portion of our sales of product and services are from sales of Cisco Systems, Hewlett Packard Enterprise (“HPE”), and NetApp products, which represented approximately 45%, 6% and 6% and 49%, 6% and 5%, respectively, for the three and nine months ended December 31, 2016. Sales of Cisco Systems, Hewlett Packard (“HP”), and NetApp products represented approximately 48%, 6%, and 7%, and 49%, 8%, and 5%, respectively, for the three and nine months ended December 31, 2015. Any changes in our vendors’ ability to provide products or incentive programs could have a material adverse effect on our business, results of operations and financial condition.

Table of Contents

2. RECENT ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS — In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, Stock Compensation. This update simplifies several aspects of the accounting for share-based payment transactions. As permitted, we elected to early adopt this update during the quarter ended June 30, 2016. The amendments requiring recognition of excess tax benefits and deficiencies in the income statement have been applied prospectively resulting in a benefit in the nine months ended December 31, 2016 of $0.5 million, or $0.07 per share. We elected to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using a retrospective transition method, and as a result, $1.2 million of excess tax benefits related to share-based awards which were previously classified as cash flows from financing activities in the nine months ended December 31, 2015 have been reclassified as cash flows from operating activities. As part of adopting this update, we additionally elected as an accounting policy to account for forfeitures of share-based awards when they occur. As we had previously estimated the forfeiture rate to be zero, there is no cumulative-effect adjustment to retained earnings as a result of our election.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED — In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede all current U.S. GAAP on this topic. The FASB subsequently issued ASU 2016-08, Principal versus Agent Considerations, ASU 2016-10, Identifying Performance Obligations and Licensing, ASU 2016-12, Narrow-Scope Improvements and Practical Expedients, and ASU 2016-20, Technical Corrections and Improvements to Topic 606, in March 2016, April 2016, May 2016, and December 2016 respectively, to amend the guidance in ASU 2014-09. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, to defer the effective date of ASU 2014-09 by one year. Including the one-year deferral, these updates become effective for us in our quarter ending June 30, 2018, and early adoption is permitted for us in our quarter ending June 30, 2017. The update can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently evaluating the impact of this update on our financial statements and have not yet selected our planned transition approach.

In February 2016, the FASB issued ASU 2016-02, Leases, which will supersede the current U.S. GAAP on this topic. The core principle of this update is that a lessee should recognize the assets and liabilities that arise from leases. This update requires adoption under the modified retrospective approach and becomes effective for us in our quarter ending June 30, 2019. Early adoption is permitted. We are currently evaluating the impact of this update on our financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This update requires adoption under a modified retrospective approach and becomes effective for us in our quarter ending June 30, 2020. Early adoption is permitted beginning in our quarter ending June 30, 2019. We are currently evaluating the impact of this update on our financial statements.

3. FINANCING RECEIVABLES AND OPERATING LEASES

Our financing receivables and operating leases consist of assets that we finance for our customers, which we manage as a portfolio of investments. Equipment financed for our customers is accounted for as investments in direct financing, sales-type or operating leases in accordance with Accounting Standards Codification ("ASC") Topic 840, Leases. We also finance third-party software, maintenance, and services for our customers, which are classified as notes receivables. Our notes receivables are interest bearing and are often due over a period of time that corresponds with the terms of the leased products.

Table of Contents

FINANCING RECEIVABLES—NET

Our financing receivables, net consist of the following (in thousands):

December 31, 2016	Notes Receivables	Lease-Related Receivables	Total Financing Receivables
Minimum payments	$ 53,167	$ 71,343	$ 124,510
Estimated unguaranteed residual value (1)	-	18,069	18,069
Initial direct costs, net of amortization (2)	465	518	983
Unearned income	-	(7,017)	(7,017)
Reserve for credit losses (3)	(3,508)	(778)	(4,286)
Total, net	$ 50,124	$ 82,135	$ 132,259
Reported as:			
Current	$ 32,269	$ 33,676	$ 65,945
Long-term	17,855	48,459	66,314
Total, net	$ 50,124	$ 82,135	$ 132,259

(1) Includes estimated unguaranteed residual values of $11,932 thousand for direct financing leases, which have been sold and accounted for as sales.
(2) Initial direct costs are shown net of amortization of $665 thousand.
(3) For details on reserve for credit losses, refer to Note 5, "Reserves for Credit Losses."

March 31, 2016	Notes Receivables	Lease-Related Receivables	Total Financing Receivables
Minimum payments	$ 44,442	$ 66,303	$ 110,745
Estimated unguaranteed residual value (1)	-	12,693	12,693
Initial direct costs, net of amortization (2)	312	475	787
Unearned income	-	(5,543)	(5,543)
Reserve for credit losses (3)	(3,381)	(685)	(4,066)
Total, net	$ 41,373	$ 73,243	$ 114,616
Reported as:			
Current	$ 24,962	$ 31,486	$ 56,448
Long-term	16,411	41,757	58,168
Total, net	$ 41,373	$ 73,243	$ 114,616

(1) Includes estimated unguaranteed residual values of $6,722 thousand for direct financing leases which have been sold and accounted for as sales.
(2) Initial direct costs are shown net of amortization of $612 thousand.
(3) For details on reserve for credit losses, refer to Note 5, "Reserves for Credit Losses."

OPERATING LEASES—NET

Operating leases—net represents leases that do not qualify as direct financing leases. The components of the operating leases—net are as follows (in thousands):

	December 31, 2016	March 31, 2016
Cost of equipment under operating leases	$ 17,062	$ 36,635
Accumulated depreciation	(8,886)	(18,897)
Investment in operating lease equipment—net (1)	$ 8,176	$ 17,738

(1) These totals include estimated unguaranteed residual values of $928 thousand and $3,417 thousand as of December 31, 2016 and March 31, 2016, respectively.

Table of Contents

TRANSFERS OF FINANCIAL ASSETS

We enter into arrangements to transfer the contractual payments due under financing receivables and operating lease agreements, which are accounted for as sales or secured borrowings in accordance with Codification Topic 860, Transfers and Servicing. For transfers accounted for as a secured borrowing, the corresponding investments serve as collateral for non-recourse notes payable. As of December 31, 2016 and March 31, 2016 we had financing receivables of $54.9 million and $36.1 million, respectively, and operating leases of $6.7 million and $13.9 million, respectively, which were collateral for non-recourse notes payable. See Note 7, "Notes Payable and Credit Facility."

For transfers accounted for as sales, we derecognize the carrying value of the asset transferred and recognize a net gain or loss on the sale, which are presented within net sales in the consolidated statement of operations. During the three months ended December 31, 2016 and 2015, we recognized net gains of $0.9 million and $1.4 million, respectively, and total proceeds from these sales were $55.8 million and $54.1 million, respectively. During the nine months ended December 31, 2016 and 2015, we recognized net gains of $4.1 million and $5.4 million, respectively. The total proceeds from these sales were $185.4 million and $162.7 million for the nine months ended December 31, 2016 and 2015, respectively.

For certain assignments of financial assets, we retain a servicing obligation. For assignments accounted for as sales, we allocate a portion of the proceeds to deferred revenues, which is recognized as we perform the services. In a limited number of such sales, we indemnified the assignee in the event that the lessee elected to early terminate the lease. As of December 31, 2016, our maximum potential future payments related to such guarantees is $1.2 million. We believe the possibility of making any payments to be remote.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Our goodwill and other intangible assets consist of the following (in thousands):

	December 31, 2016			March 31, 2016		
	Gross Carrying Amount	Accumulated Amortization / Impairment Loss	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization / Impairment Loss	Net Carrying Amount
Goodwill	$58,145	$ (8,673)	$49,472	$50,824	$ (8,673)	$42,151
Customer relationships & other intangibles	22,818	(11,640)	11,178	20,401	(9,193)	11,208
Capitalized software development	3,247	(2,207)	1,040	2,709	(1,914)	795
Total	$84,210	$ (22,520)	$61,690	$73,934	$ (19,780)	$54,154

GOODWILL

Goodwill represents the premium paid over the fair value of the net tangible and intangible assets that are individually identified and separately recognized in business combinations. All of our goodwill as of December 31, 2016 and March 31, 2016 is related to our technology reportable segment, which we also determined to be one reporting unit.

Goodwill increased by $7.3 million from March 31, 2016 to December 31, 2016 due to the addition of $7.6 million from our acquisition of certain assets and assumption of certain liabilities of the IT Services equipment and integration business of Consolidated Communications Holdings, Inc. (“Consolidated IT Services”) in December, 2016, partially offset by $0.3 million due to foreign currency translation. See Note 15, “Business Combinations” for additional information.

We performed our annual test for impairment for fiscal year 2017 as of October 1, 2016. We elected to bypass the qualitative assessment of goodwill and estimate the fair value of our reporting units. The fair value of our technology reporting unit substantially exceeded its carrying value as of October 1, 2016. Our conclusions would not be impacted by a ten percent change in our estimate of the fair value of the reporting unit.

We performed our annual test for impairment for fiscal year 2016 as of October 1, 2015. We performed a qualitative assessment for goodwill and concluded that the fair value of our reporting units, more likely than not, exceeded their respective carrying values as of October 1, 2015.

Table of Contents

OTHER INTANGIBLE ASSETS

Customer relationships and capitalized software development costs are amortized over an estimated useful life, which is generally between 3 to 7 years. Trade names and trademarks are amortized over an estimated useful life of 10 years.

Total amortization expense for other intangible assets was $1.1 million and $0.8 million for the three months and $3.4 million and $2.1 million for the nine months ended December 31, 2016 and 2015, respectively.

5. RESERVES FOR CREDIT LOSSES

Activity in our reserves for credit losses for the nine months ended December 31, 2016 and 2015 were as follows (in thousands):

	Accounts Receivable	Notes Receivable	Lease-Related Receivables	Total
Balance April 1, 2016	$ 1,127	$ 3,381	$ 685	$5,193
Provision for credit losses	229	139	93	461
Write-offs and other	(32)	(12)	-	(44)
Balance December 31, 2016	$ 1,324	$ 3,508	$ 778	$5,610

	Accounts Receivable	Notes Receivable	Lease-Related Receivables	Total
Balance April 1, 2015	$ 1,169	$ 3,573	$ 881	$5,623
Provision for credit losses	12	7	(50)	(31)
Write-offs and other	(119)	-	-	(119)
Balance December 31, 2015	$ 1,062	$ 3,580	$ 831	$5,473

Our reserves for credit losses and minimum payments associated with our notes receivables and lease-related receivables disaggregated on the basis of our impairment method were as follows (in thousands):

	December 31, 2016		March 31, 2016	
	Notes Receivable	Lease-Related Receivables	Notes Receivable	Lease-Related Receivables
Reserves for credit losses:				
Ending balance: collectively evaluated for impairment	$406	$ 655	$279	$ 562
Ending balance: individually evaluated for impairment	3,102	123	3,102	123
Ending balance	$3,508	$ 778	$3,381	$ 685
Minimum payments:				
Ending balance: collectively evaluated for impairment	$50,016	$ 71,201	$41,340	$ 66,161
Ending balance: individually evaluated for impairment	3,151	142	3,102	142
Ending balance	$53,167	$ 71,343	$44,442	$ 66,303

As of December 31, 2016 and March 31, 2016 we had a balance outstanding of $3.2 million for a customer in bankruptcy which is in a non-accrual status. We place receivables on non-accrual status when events, such as a customer's declaring bankruptcy, occur that indicate a receivable will not be collectable. We charge off uncollectable financing receivables when we stop pursuing collection.

Table of Contents

The age of the recorded minimum lease payments and net credit exposure associated with our investment in direct financing and sales-type leases that are past due disaggregated based on our internally assigned credit quality rating ("CQR") were as follows as of December 31, 2016 and March 31, 2016 (in thousands):

	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Unbilled Minimum Lease Payments	Total Minimum Lease Payments	Unearned Income	Non-Recourse Notes Payable	Net Credit Exposure
December 31, 2016										
High CQR	$ 163	$ 49	$ 98	$ 310	$ 137	$ 45,570	$ 46,017	$ (3,466)	$ (21,532)	$ 21,019
Average CQR	44	25	96	165	43	24,976	25,184	(1,667)	(12,684)	10,833
Low CQR	-	-	142	142	-	-	142	(19)	-	123
Total	$ 207	$ 74	$ 336	$ 617	$ 180	$ 70,546	$ 71,343	$ (5,152)	$ (34,216)	$ 31,975
March 31, 2016										
High CQR	$ 575	$ 52	$ 94	$ 721	$ 984	$ 46,157	$ 47,862	$ (2,705)	$ (22,914)	$ 22,243
Average CQR	15	17	78	110	159	18,030	18,299	(1,387)	(8,714)	8,198
Low CQR	-	-	142	142	-	-	142	(19)	-	123
Total	$ 590	$ 69	$ 314	$ 973	$ 1,143	$ 64,187	$ 66,303	$ (4,111)	$ (31,628)	$ 30,564

The age of the recorded notes receivable balance disaggregated based on our internally assigned CQR were as follows as December 31, 2016 and March 31, 2016 (in thousands):

	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Unbilled Notes Receivable	Total Notes Receivable	Non-Recourse Notes Payable	Net Credit Exposure
December 31, 2016									
High CQR	$ 1,369	$ 312	$ 827	$ 2,508	$ 1,244	$ 28,206	$ 31,958	$ (15,330)	$ 16,628
Average CQR	157	10	-	167	920	16,971	18,058	(12,640)	5,418
Low CQR	-	-	3,151	3,151	-	-	3,151	-	3,151
Total	$ 1,526	$ 322	$ 3,978	$ 5,826	$ 2,164	$ 45,177	$ 53,167	$ (27,970)	$ 25,197
March 31, 2016									
High CQR	$ 399	$ 305	$ 2,168	$ 2,872	$ 301	$ 24,092	$ 27,265	$ (11,644)	$ 15,621
Average CQR	-	-	-	-	202	13,873	14,075	(9,942)	4,133
Low CQR	-	-	3,102	3,102	-	-	3,102	-	3,102
Total	$ 399	$ 305	$ 5,270	$ 5,974	$ 503	$ 37,965	$ 44,442	$ (21,586)	$ 22,856

We estimate losses on our net credit exposure to be between 0% - 5% for customers with highest CQR, as these customers are investment grade or the equivalent of investment grade. We estimate losses on our net credit exposure to be between 2% - 15% for customers with average CQR, and between 15% - 100% for customers with low CQR, which includes customers in bankruptcy.

Table of Contents

6. PROPERTY, EQUIPMENT, OTHER ASSETS AND LIABILITIES

Our property, equipment, other assets and liabilities consist of the following (in thousands):

	December 31, 2016	March 31, 2016
Other current assets:		
Deposits & funds held in escrow	$485	$3,116
Prepaid assets	2,773	6,683
Other	777	850
Total other current assets	$4,035	$10,649
Other assets:		
Deferred costs	$2,979	$1,831
Property and equipment, net	6,945	6,266
Other	1,780	547
Total other assets - long term	$11,704	$8,644

	December 31, 2016	March 31, 2016
Other current liabilities:		
Accrued expenses	$6,969	$7,109
Accrued income taxes payable	1,093	-
Other	7,780	6,009
Total other current liabilities	$15,842	$13,118
Other liabilities:		
Deferred revenue	$3,599	$1,866
Other	2,876	397
Total other liabilities - long term	$6,475	$2,263

7. NOTES PAYABLE AND CREDIT FACILITY

Non-recourse and recourse obligations consist of the following (in thousands):

	December 31, 2016	March 31, 2016
Recourse notes payable with interest rates ranging from 2.75% and 4.13% at December 31, 2016 and ranging from 2.70% and 4.13%at March 31, 2016.		
Current	$ 1,605	$ 2,288
Long-term	-	1,054
Total recourse notes payable	$ 1,605	$ 3,342
Non-recourse notes payable secured by financing receivables and investments in operating leases with interest rates ranging from 2.0% to 7.50% at December 31, 2016 and ranging from 1.70% to 8.50% as of March 31, 2016.		
Current	$ 41,785	$ 26,042
Long-term	10,608	18,038
Total non-recourse notes payable	$ 52,393	$ 44,080

Principal and interest payments on non-recourse notes payable are generally due monthly in amounts that are approximately equal to the total payments due from the customer under the leases or notes receivable that collateralize the notes payable. The weighted average interest rate for our non-recourse notes payable was 3.38% and 3.13%, as of December 31, 2016 and March 31, 2016, respectively. The weighted average interest rate for our recourse notes payable was 3.24%, as of December 31, 2016 and March 31, 2016. Under recourse financing, in the event of a default by a customer, the lender has recourse to the customer, the assets serving as collateral, and us. Under non-recourse financing, in the event of a default by a customer, the lender generally only has recourse against the customer, and the assets serving as collateral, but not against us.

Table of Contents

Our technology segment, through our subsidiary ePlus Technology, inc., finances its operations with funds generated from operations, and with a credit facility with Wells Fargo Commercial Distribution Finance, LLC or ("WFCDF"). This facility provides short-term capital for our technology segment. There are two components of the WFCDF credit facility: (1) a floor plan component, and (2) an accounts receivable component. Under the floor plan component, we had outstanding balances of $120.9 million and $121.9 million as of December 31, 2016 and March 31, 2016, respectively. Under the accounts receivable component, we had no outstanding balances as of December 31, 2016 and March 31, 2016.

As of December 31, 2016, the facility agreement had an aggregate limit of the two components of $250 million, and the accounts receivable component had a sub-limit of $30 million, which bears interest assessed at a rate of the One Month LIBOR plus two and one half percent.

The credit facility has full recourse to ePlus Technology, inc. and is secured by a blanket lien against all its assets, such as receivables and inventory. Availability under the facility may be limited by the asset value of equipment we purchase or accounts receivable, and may be further limited by certain covenants and terms and conditions of the facility. These covenants include but are not limited to a minimum excess availability of the facility and minimum earnings before interest, taxes, depreciation and amortization ("EBITDA") of ePlus Technology, inc. We were in compliance with these covenants as of December 31, 2016. In addition, the facility restricts the ability of ePlus Technology, inc. to transfer funds to its affiliates in the form of dividends, loans or advances with certain exceptions for dividends to ePlus inc. The facility also requires that financial statements of ePlus Technology, inc. be provided within 45 days of each quarter and 90 days of each fiscal year end and also includes that other operational reports be provided on a regular basis. Either party may terminate with 90 days' advance notice. We are not, and do not believe that we are reasonably likely to be, in breach of the WFCDF credit facility. In addition, we do not believe that the covenants of the WFCDF credit facility materially limit our ability to undertake financing. In this regard, the covenants apply only to our subsidiary, ePlus Technology, inc. This credit facility is secured by the assets of only ePlus Technology, inc. and the guaranty as described below.

The facility provided by WFCDF requires a guaranty of $10.5 million by ePlus inc. The guaranty requires ePlus inc. to deliver its annual audited financial statements by certain dates. We have delivered the annual audited financial statements for the year ended March 31, 2016, as required. The loss of the WFCDF credit facility could have a material adverse effect on our future results as we currently rely on this facility and its components for daily working capital and liquidity for our technology segment and as an operational function of our accounts payable process.

Fair Value

As of December 31, 2016 and March 31, 2016, the fair value of our long-term recourse and non-recourse notes payable approximated their carrying value.

8. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are not currently a party to any legal proceedings with loss contingencies that are expected to be material. From time to time, we may be or have been a plaintiff, or may be or have been named as a defendant, in legal actions arising from our normal business activities, none of which has had a material effect on our business, results of operations or financial condition. Legal proceedings which may arise in the ordinary course of business including preference payment claims asserted in customer bankruptcy proceedings, tax audits, claims of alleged infringement of patents, trademarks, copyrights and other intellectual property rights, claims of alleged non-compliance with contract provisions, employment-related claims, claims by competitors, vendors or customers, claims related to alleged violations of laws and regulations, and claims relating to alleged security or privacy breaches. We attempt to ameliorate the effect of potential litigation through insurance coverage and contractual protections such as rights to indemnifications and limitations of liability. We do not expect that the outcome in any of these matters, individually or collectively, will have a material adverse effect on our financial condition or results of operations, however, litigation is inherently unpredictable. Therefore, judgments could be rendered or settlements entered that could adversely affect our results of operations or cash flows in a particular period. We provide for costs related to contingencies when a loss is probable and the amount is reasonably determinable.

Table of Contents

During the nine months ended December 31, 2016, we received $380 thousand related to the dynamic random access memory (“DRAM”) class action lawsuit, which claimed that manufacturers fixed the price for DRAM, which was included within other income on our unaudited consolidated statement of operations.

Contingencies Related to Third-Party Review

From time to time, we are subject to potential claims and assessments from third parties. We are also subject to various governmental, customer and partner audits. We continually assess whether or not such claims have merit and warrant accrual. Where appropriate, we accrue estimates of anticipated liabilities in our consolidated financial statements. Such estimates are subject to change and may affect our results of operations and our cash flows.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net earnings available to common shareholders by the basic weighted average number of shares of common stock outstanding during each period. Diluted earnings per share is calculated by dividing net earnings available to common shareholders by the basic weighted average number of shares of common stock outstanding plus common stock equivalents during each period.

The following table provides a reconciliation of the numerators and denominators used to calculate basic and diluted net income per common share as disclosed on our consolidated statements of operations for the three and nine months ended December 31, 2016 and 2015 (in thousands, except per share data):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Net earnings attributable to common shareholders - basic and diluted	$ 12,620	$ 10,297	$ 40,066	$ 34,790
Basic and diluted common shares outstanding:				
Weighted average common shares outstanding — basic	6,896	7,280	6,946	7,260
Effect of dilutive shares	64	49	67	76
Weighted average shares common outstanding — diluted	6,960	7,329	7,013	7,336
Earnings per common share - basic	$ 1.83	$ 1.41	$ 5.77	$ 4.79
Earnings per common share - diluted	$ 1.81	$ 1.40	$ 5.71	$ 4.74

Stock Split

On February 2, 2017, our Board of Directors declared a two-for-one stock split effected in the form of a stock dividend. The share distribution will occur March 31, 2017. All references made to share or per share amounts in the accompanying unaudited condensed consolidated financial statements and applicable disclosures are presented on a pre-split basis. As a result of the stock split, all historical per share data and number of shares outstanding presented in future financial statements will be retroactively adjusted.

The following table provides pro forma earnings per share, giving retroactive effect to the stock split (in thousands, except per share data):

	Three Months Ended	Nine Months Ended

	2016	2015	2016	2015
Earnings per common share:				
Basic — pro forma	$ 0.92	$ 0.71	$ 2.88	$ 2.40
Diluted — pro forma	$ 0.91	$ 0.70	$ 2.86	$ 2.37
Weighted average common shares outstanding:				
Basic — pro forma	13,791	14,561	13,891	14,519
Diluted — pro forma	13,920	14,659	14,026	14,672

10. STOCKHOLDERS' EQUITY

On August 18, 2016, our board of directors authorized the Company to repurchase up to 500,000 shares of its outstanding common stock over a 12-month period beginning on August 19, 2016 through August 18, 2017. The plan authorized purchases to be made from time to time in the open market, or in privately negotiated transactions, subject to availability. Any repurchased shares will have the status of treasury shares and may be used, when needed, for general corporate purposes.

During the nine months ended December 31, 2016, we purchased 328,481 shares of our outstanding common stock at an average cost of $81.62 per share for a total purchase price of $26.8 million under the share repurchase plan. We also purchased 29,736 shares of common stock at a value of $2.6 million to satisfy tax withholding obligations relating to the vesting of employees' restricted stock.

During the nine months ended December 31, 2015, we did not purchase any shares of our outstanding common stock under the share repurchase plan; however, we did purchase 30,447 shares of common stock at a value of $2.5 million to satisfy tax withholding obligations relating to the vesting of employees' restricted stock.

Table of Contents

Since the inception of our initial repurchase program on September 20, 2001 to December 31, 2016, we have repurchased approximately 6.0 million shares of our outstanding common stock at an average cost of $24.44 per share for a total purchase price of $147.3 million.

11. SHARE-BASED COMPENSATION

Share-Based Plans

As of December 31, 2016, we had share-based awards outstanding under the following plans: (1) the 2008 Non-Employee Director Long-Term Incentive Plan (“2008 Director LTIP”), and (2) the 2012 Employee Long-Term Incentive Plan ("2012 Employee LTIP"). Both of the share-based plans define fair market value as the previous trading day's closing price when the grant date falls on a date the stock was not traded.

Restricted Stock Activity

For the nine months ended December 31, 2016, we granted 5,692 restricted shares under the 2008 Director LTIP, and 67,269 restricted shares under the 2012 Employee LTIP. For the nine months ended December 31, 2015, we granted 6,383 restricted shares under the 2008 Director LTIP, and 118,974 restricted shares under the 2012 Employee LTIP. A summary of the restricted shares is as follows:

	Number of Shares	Weighted Average Grant-date Fair Value
Nonvested April 1, 2016	203,828	$ 72.33
Granted	72,961	$ 86.24
Vested	(90,356)	$ 65.99
Forfeited	(349)	$ 76.87
Nonvested December 31, 2016	186,084	$ 80.86

Upon each vesting period of the restricted stock awards, employees are subject to minimum tax withholding obligations. Under the 2012 Employee LTIP, we may purchase a sufficient number of shares due to the participant to satisfy their minimum tax withholding on employee stock awards. For the nine months ended December 31, 2016, the Company had withheld 29,736 shares of common stock at a value of $2.6 million, which was included in treasury stock.

Compensation Expense

We recognize compensation cost for awards of restricted stock with graded vesting on a straight line basis over the requisite service period. There are no additional conditions for vesting other than service conditions. During each of the three months ended December 31, 2016 and 2015, we recognized $1.5 million of total share-based compensation expense. During the nine months ended December 31, 2016 and 2015, we recognized $4.5 million and $4.2 million, respectively, of total share-based compensation expense. Unrecognized compensation expense related to non-vested restricted stock was $11.8 million as of December 31, 2016, which will be fully recognized over the next forty-two (42) months.

We also provide our employees with a contributory 401(k) plan. Employer contribution percentages are determined by us and are discretionary each year. The employer contributions vest pro-ratably over a four-year service period by the employees, after which all employer contributions will be fully vested. For the three months ended December 31, 2016 and 2015 our estimated contribution expense for the plan were $0.5 million and $0.4 million, respectively. For the nine months ended December 31, 2016 and 2015, our estimated contribution expense for the plan was $1.2 million and $1.1 million, respectively.

Table of Contents

12. INCOME TAXES

We account for our tax positions in accordance with Codification Topic 740, Income Taxes. Under the guidance, we evaluate uncertain tax positions based on the two-step approach. The first step is to evaluate each uncertain tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained in an audit, including resolution of related appeals or litigation processes, if any. For tax positions that are not likely of being sustained upon audit, the second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50 percent likely of being realized upon ultimate settlement.

We recognize interest and penalties for uncertain tax positions. As of December 31, 2016 our gross liability related to uncertain tax positions was $72 thousand. At December 31, 2016 if the unrecognized tax benefits of $72 thousand were to be recognized, including the effect of interest, penalties and federal tax benefit, the impact would be $106 thousand.

We also recognize accrued interest and penalties related to unrecognized tax benefits as a component of tax expense. We did not recognize any additional penalties in the three and nine month periods ended December 31, 2016. We had $51 thousand and $47 thousand accrued for the payment of interest at December 31, 2016 and 2015, respectively.

As permitted by the recently issued ASU 2016-09, Stock Compensation, we elected to early adopt this update during the quarter ended June 30, 2016. The amendments requiring recognition of excess tax benefits and deficiencies in the income statement have been applied prospectively resulting in a benefit in the nine months ended December 31, 2016 of $0.5 million.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

We account for the fair values of our assets and liabilities in accordance with ASC Topic 820, Fair Value Measurement and Disclosure. The following table summarizes the fair value hierarchy of our financial instruments as of December 31, 2016 and March 31, 2016 (in thousands):

		Fair Value Measurement Using		
	Recorded Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31.2016				
Assets:				
Money market funds	$ 29,851	$ 29,851	$ -	$ -
Liabilities:				
Contingent consideration	$ 554	$ -	$ -	$ 554
March 31, 2016				
Assets:				
Money market funds	$ 39,509	$ 39,509	$ -	$ -
Liabilities:				
Contingent consideration	$ 1,041	$ -	$ -	$ 1,041

We recorded no adjustments that increased the fair value of our liability for contingent consideration for the three months ended December 31, 2016. For the nine months December 31, 2016, we recorded adjustments that increased the fair value of our liability for contingent consideration by $232 thousand; and such adjustments were presented within general and administrative expenses in our unaudited condensed consolidated statement of operations. During the three months and nine months ended December 31, 2016, we paid $0.7 million to satisfy the current obligations of the contingent consideration arrangement.

For the three and nine months ended December 31, 2015, we recorded adjustments that increased the fair value of our liability for contingent consideration by $3 thousand and $318 thousand, respectively. During the three months and nine months ended December 31, 2015, we paid $1.2 million to satisfy the current obligations of the contingent consideration arrangement.

Table of Contents

14. SEGMENT REPORTING

Our operations are conducted through two operating segments that are also both reportable segments. Our technology segment includes sales of information technology products, third-party software, third-party maintenance, advanced professional and managed services and our proprietary software to commercial enterprises, state and local governments, and government contractors. Our financing segment consists of the financing of IT equipment, software and related services to commercial enterprises, state and local governments, and government contractors. We measure the performance of the segments based on operating income. Our reportable segment information was as follows (in thousands):

	Three Months Ended					
	December 31, 2016			December 31, 2015		
	Technology	Financing	Total	Technology	Financing	Total
Sales of product and services	$317,391	$-	$317,391	$287,859	$-	$287,859
Financing revenue	-	8,190	8,190	-	9,289	9,289
Fee and other income	915	161	1,076	1,506	(10)	1,496
Net sales	318,306	8,351	326,657	289,365	9,279	298,644
Cost of sales, product and services	251,729	-	251,729	231,503	-	231,503
Direct lease costs	-	1,142	1,142	-	3,081	3,081
Cost of sales	251,729	1,142	252,871	231,503	3,081	234,584
Professional and other fees	1,216	181	1,397	1,608	274	1,882
Salaries and benefits	40,155	2,230	42,385	35,043	2,329	37,372
General and administrative expenses	6,409	(31)	6,378	5,203	231	5,434
Depreciation and amortization	1,908	2	1,910	1,327	4	1,331
Interest and financing costs	-	409	409	10	386	396
Operating expenses	49,688	2,791	52,479	43,191	3,224	46,415
Operating income	$16,889	$4,418	$21,307	$14,671	$2,974	$17,645
Selected Financial Data - Statement of Cash Flow						
Depreciation and amortization	$1,941	$985	$2,926	$1,365	$3,152	$4,517
Purchases of property, equipment and operating lease equipment	$849	$3,282	$4,131	$506	$884	$1,390
Selected Financial Data - Balance Sheet						
Total assets	$546,728	$189,950	$736,678	$401,422	$229,012	$630,434

Table of Contents

	Nine Months Ended					
	December 31, 2016			December 31, 2015		
Statement of Operations	Technology	Financing	Total	Technology	Financing	Total
Sales of product and services	$968,799	$ -	$968,799	$871,814	$ -	$871,814
Financing revenue	-	23,899	23,899	-	27,914	27,914
Fee and other income	3,679	245	3,924	5,038	30	5,068
Net sales	972,478	24,144	996,622	876,852	27,944	904,796
Cost of sales, product and services	769,780	-	769,780	700,429	-	700,429
Direct lease costs	-	3,459	3,459	-	9,256	9,256
Cost of sales	769,780	3,459	773,239	700,429	9,256	709,685
Professional and other fees	4,138	780	4,918	4,175	738	4,913
Salaries and benefits	117,822	6,657	124,479	101,471	6,855	108,326
General and administrative expenses	19,335	1,089	20,424	16,653	737	17,390
Depreciation and amortization	5,400	8	5,408	3,728	11	3,739
Interest and financing costs	-	1,158	1,158	51	1,320	1,371
Operating expenses	146,695	9,692	156,387	126,078	9,661	135,739
Operating income	$56,003	$ 10,993	$66,996	$50,345	$ 9,027	$59,372
Selected Financial Data - Statement of Cash Flow						
Depreciation and amortization	$5,494	$ 3,264	$8,758	$3,831	$ 9,189	$13,020
Purchases of property, equipment and operating lease equipment	$2,413	$ 4,887	$7,300	$1,700	$ 15,308	