

EPLUS INC
Form 10-Q
May 05, 2008

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

FORM 10-Q

T QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2007

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

ePlus inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

54-1817218
(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 T 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 £
Non-accelerated filer £ (Do not check if a smaller reporting company)

Accelerated filer £
Smaller reporting
company T

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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 April 30, 2008 was 8,231,741.

1

TABLE OF CONTENTS

ePlus inc. AND SUBSIDIARIES

Part I. Financial Information:

<u>Item 1.</u>	<u>Financial Statements—Unaudited:</u>	
	<u>Condensed Consolidated Balance Sheets as of March 31, 2007 and December 31, 2007</u>	4
	<u>Condensed Consolidated Statements of Operations, Three and Nine Months Ended December 31, 2006 and 2007</u>	5
	<u>Condensed Consolidated Statements of Cash Flows, Nine Months Ended December 31, 2006 and 2007</u>	6
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	8
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	38
<u>Item 4.</u>	<u>Controls and Procedures</u>	38

Part II. Other Information:

<u>Item 1.</u>	<u>Legal Proceedings</u>	39
<u>Item 1A.</u>	<u>Risk Factors</u>	40
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	40
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	40
<u>Item 5.</u>	<u>Other Information</u>	41
<u>Item 6.</u>	<u>Exhibits</u>	41
	<u>Signatures</u>	42

Table of Contents

Cautionary Language About 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, 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,” “will,” “should,” “intend,” “estimate,” “believe,” “expect,” “anticipate,” “project” and other expressions. Readers are cautioned not to place undue reliance on any forward-looking statements made by us or on our behalf. Any such statement speaks only as of the date the statement was made. 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.

Although we have been offering IT financing since 1990 and direct marketing of IT products since 1997, our comprehensive set of solutions—the bundling of our direct IT sales, professional services and financing with our proprietary software—has been available since 2002. Consequently, we may encounter some of the challenges, risks, difficulties and uncertainties frequently faced by companies providing new and/or bundled solutions in an evolving market. Some of these challenges relate to our ability to:

- manage a diverse product set of solutions in highly-competitive markets;
- increase the total number of customers utilizing bundled solutions by up-selling within our customer base and gain new customers;
- adapt to meet changes in markets and competitive developments;
- maintain and increase advanced professional services by retaining highly-skilled personnel and vendor certifications;
- integrate with external IT systems including those of our customers and vendors; and
- continue to update our software and technology to enhance the features and functionality of our 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. 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 the “Risk Factors” and “Results of Operations” sections contained elsewhere in this document, as well as our Annual Report on Form 10-K for the fiscal year ended March 31, 2007, any subsequent Reports on Form 10-Q and Form 8-K and other filings with the SEC.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ePlus inc. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	As of December 31, 2007	As of March 31, 2007
	(in thousands)	
ASSETS		
Cash and cash equivalents	\$ 65,590	\$ 39,680
Accounts receivable—net	108,457	110,662
Notes receivable	186	237
Inventories	8,717	6,851
Investment in leases and leased equipment—net	161,074	217,170
Property and equipment—net	5,007	5,529
Other assets	15,011	11,876
Goodwill	26,125	26,125
TOTAL ASSETS	\$ 390,167	\$ 418,130
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable—equipment	\$ 6,482	\$ 6,547
Accounts payable—trade	26,980	21,779
Accounts payable—floor plan	51,618	55,470
Salaries and commissions payable	4,491	4,331
Accrued expenses and other liabilities	26,674	25,960
Income taxes payable	3,531	-
Recourse notes payable	-	5,000
Non-recourse notes payable	104,741	148,136
Deferred tax liability	4,457	4,708
Total Liabilities	228,974	271,931
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; 25,000,000 shares authorized; 11,210,731 issued and 8,231,741 outstanding at December 31, 2007 and 11,210,731 issued and 8,231,741 outstanding at March 31, 2007	112	112
Additional paid-in capital	77,471	75,909
Treasury stock, at cost, 2,978,990 and 2,978,990 shares, respectively	(32,884)	(32,884)
Retained earnings	115,878	102,754
Accumulated other comprehensive income—foreign currency translation adjustment	616	308
Total Stockholders' Equity	161,193	146,199

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 390,167	\$ 418,130
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See Notes to Unaudited Condensed Consolidated Financial Statements.

4

Table of Contents

ePlus inc. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (UNAUDITED)

Three Months Ended
 December 31,
 2007 2006

Nine Months Ended
 December 31,
 2007 2006

(amounts in thousands, except per share data)

Sales of product and services	\$ 168,394	\$ 183,277	\$ 564,628	\$ 538,923
Sales of leased equipment	13,740	2,557	40,544	4,376
	182,134	185,834	605,172	543,299
Lease revenues	12,194	16,000	43,810	40,853
Fee and other income	4,111	3,544	13,124	9,484
Patent settlement income	-	17,500	-	17,500
	16,305	37,044	56,934	67,837
TOTAL REVENUES	198,439	222,878	662,106	611,136
COSTS AND EXPENSES				
Cost of sales, product and services	148,802	161,254	500,202	477,879
Cost of leased equipment	13,308	2,509	38,919	4,284
	162,110	163,763	539,121	482,163
Direct lease costs	4,460	5,574	16,353	16,170
Professional and other fees	2,479	7,245	9,650	13,295
Salaries and benefits	17,069	17,947	53,971	52,912
General and administrative expenses	3,760	4,050	12,135	12,921
Interest and financing costs	1,818	2,839	6,590	7,492
	29,586	37,655	98,699	102,790
TOTAL COSTS AND EXPENSES (1) (2)	191,696	201,418	637,820	584,953
EARNINGS BEFORE PROVISION FOR INCOME TAXES	6,743	21,460	24,286	26,183
PROVISION FOR INCOME TAXES	2,992	9,056	10,671	10,737
NET EARNINGS	\$ 3,751	\$ 12,404	\$ 13,615	\$ 15,446
NET EARNINGS PER COMMON SHARE—BASIC	\$ 0.45	\$ 1.51	\$ 1.65	\$ 1.88
NET EARNINGS PER COMMON SHARE—DILUTED	\$ 0.45	\$ 1.47	\$ 1.63	\$ 1.80
WEIGHTED AVERAGE SHARES				
OUTSTANDING—BASIC	8,231,741	8,231,741	8,231,741	8,222,700
	8,422,256	8,456,627	8,375,412	8,577,999

WEIGHTED AVERAGE SHARES
OUTSTANDING—DILUTED

- (1) Includes amounts to related parties of \$274 thousand and \$238 thousand for the three months ended December 31, 2007 and December 31, 2006, respectively.
- (2) Includes amounts to related parties of \$798 thousand and \$710 thousand for the nine months ended December 31, 2007 and December 31, 2006, respectively.

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

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

	Nine Months Ended December 31,			
	2007	2006		
	(in thousands)			
Cash Flows From Operating Activities:				
Net earnings	\$ 13,615	\$ 15,446		
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Depreciation and amortization	17,161			
<i>HealthSouth Corporation</i>	7.25	10-1-2018	608,000	641,440
<i>HealthSouth Corporation</i>	8.13	2-15-2020	820,000	889,700
<i>MPH Acquisition Holdings LLC 144A</i>	6.63	4-1-2022	695,000	719,325
<i>MPT Operating Partnership LP</i>	6.38	2-15-2022	1,780,000	1,909,050
<i>MPT Operating Partnership LP</i>	6.88	5-1-2021	3,175,000	3,452,813
<i>Select Medical Corporation 144A</i>	6.38	6-1-2021	2,450,000	2,523,500
<i>Select Medical Corporation</i>	6.38	6-1-2021	7,780,000	8,013,400
<i>Tenet Healthcare Corporation 144A</i>	6.00	10-1-2020	2,600,000	2,730,000
<i>Tenet Healthcare Corporation</i>	8.13	4-1-2022	1,790,000	1,986,900
				45,273,052
Health Care Technology: 0.42%				
<i>Emdeon Incorporated</i>	11.00	12-31-2019	2,570,000	2,968,350
Pharmaceuticals: 1.16%				
<i>Endo Finance Company 144A</i>	5.75	1-15-2022	1,180,000	1,218,350
<i>Par Pharmaceutical Company</i>	7.38	10-15-2020	3,550,000	3,851,750
<i>Pinnacle Incorporated 144A</i>	9.50	10-1-2023	835,000	922,675
<i>Salix Pharmaceuticals Incorporated 144A</i>	6.00	1-15-2021	1,950,000	2,091,375
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	5.63	12-1-2021	140,000	145,600
				8,229,750
Industrials: 7.51%				
Aerospace & Defense: 0.29%				
<i>TransDigm Group Incorporated</i>	7.75	12-15-2018	1,939,000	2,065,035

The accompanying notes are an integral part of these financial statements.

Table of Contents

14 Wells Fargo Advantage Income Opportunities Fund

Portfolio of investments April 30, 2014

Security name	Interest rate	Maturity date	Principal	Value
Airlines: 0.53%				
<i>Aviation Capital Group Corporation 144A</i>	6.75%	4-6-2021	\$ 2,190,000	\$ 2,448,652
<i>Aviation Capital Group Corporation 144A</i>	7.13	10-15-2020	1,210,000	1,358,497
				3,807,149
Commercial Services & Supplies: 3.40%				
<i>ADT Corporation</i>	4.13	6-15-2023	1,775,000	1,597,500
<i>ADT Corporation 144A</i>	6.25	10-15-2021	1,210,000	1,261,425
<i>Covanta Holding Corporation</i>	5.88	3-1-2024	3,105,000	3,167,469
<i>Covanta Holding Corporation</i>	6.38	10-1-2022	3,205,000	3,429,350
<i>Covanta Holding Corporation</i>	7.25	12-1-2020	2,065,000	2,263,756
<i>Interface Incorporated</i>	7.63	12-1-2018	270,000	286,538
<i>Iron Mountain Incorporated</i>	5.75	8-15-2024	6,150,000	6,073,125
<i>Iron Mountain Incorporated</i>	6.00	8-15-2023	3,560,000	3,782,500
<i>Iron Mountain Incorporated</i>	8.38	8-15-2021	2,244,000	2,367,420
				24,229,083
Machinery: 0.24%				
<i>Columbus McKinnon Corporation</i>	7.88	2-1-2019	1,575,000	1,693,125
Professional Services: 0.56%				
<i>Interactive Data Corporation</i>	10.25	8-1-2018	3,755,000	4,027,238
Trading Companies & Distributors: 2.29%				
<i>Ashtead Capital Incorporated 144A</i>	6.50	7-15-2022	6,625,000	7,188,125
<i>H&E Equipment Services Incorporated</i>	7.00	9-1-2022	5,540,000	6,094,000
<i>International Lease Finance Corporation 144A</i>	7.13	9-1-2018	1,015,000	1,177,400
<i>International Lease Finance Corporation</i>	8.63	9-15-2015	1,700,000	1,865,750
				16,325,275
Transportation Infrastructure: 0.20%				

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<i>Watco Companies LLC 144A</i>	6.38	4-1-2023	1,380,000	1,397,250
Information Technology: 7.71%				
Communications Equipment: 0.65%				
<i>Avaya Incorporated</i>	9.75	11-1-2015	1,150,000	1,152,760
<i>CyrusOne LP</i>	6.38	11-15-2022	500,000	531,250
<i>Lucent Technologies Incorporated</i>	6.45	3-15-2029	3,100,000	2,968,250
				4,652,260
Electronic Equipment, Instruments & Components: 2.29%				
<i>CDW Financial Corporation</i>	12.54	10-12-2017	171,000	178,695
<i>Jabil Circuit Incorporated</i>	8.25	3-15-2018	13,532,000	16,136,910
				16,315,605
Internet Software & Services: 0.04%				
<i>Equinix Incorporated</i>	7.00	7-15-2021	125,000	139,500
<i>Sophia Holding Finance LP (PIK at 9.63%) 144A</i>	9.63	12-1-2018	175,000	182,438
				321,938

The accompanying notes are an integral part of these financial statements.

Table of Contents

Portfolio of investments April 30, 2014

Wells Fargo Advantage Income Opportunities Fund 15

Security name	Interest rate	Maturity date	Principal	Value
IT Services: 3.26%				
<i>Audatex North America Incorporated 144A</i>	6.00%	6-15-2021	\$ 2,300,000	\$ 2,466,750
<i>Audatex North America Incorporated 144A</i>	6.13	11-1-2023	695,000	742,781
<i>Fidelity National Information Services Incorporated</i>	7.88	7-15-2020	3,200,000	3,425,776
<i>First Data Corporation 144A</i>	6.75	11-1-2020	1,525,000	1,627,937
<i>First Data Corporation 144A</i>	7.38	6-15-2019	1,325,000	1,421,062
<i>First Data Corporation</i>	11.75	8-15-2021	3,925,000	4,180,125
<i>First Data Holdings Incorporated (PIK at 14.50%) 144A</i>	14.50	9-24-2019	1,498,540	1,444,218
<i>SunGard Data Systems Incorporated</i>	6.63	11-1-2019	3,300,000	3,456,750
<i>SunGard Data Systems Incorporated</i>	7.38	11-15-2018	3,547,000	3,759,820
<i>SunGard Data Systems Incorporated</i>	7.63	11-15-2020	650,000	710,125
				23,235,344
Semiconductors & Semiconductor Equipment: 0.34%				
<i>Micron Technology Incorporated 144A</i>	5.88	2-15-2022	2,310,000	2,437,050
Software: 0.38%				
<i>Activision Blizzard Incorporated 144A</i>	5.63	9-15-2021	1,155,000	1,231,519
<i>Activision Blizzard Incorporated 144A</i>	6.13	9-15-2023	285,000	309,937
<i>Nuance Communications Incorporated 144A</i>	5.38	8-15-2020	1,130,000	1,138,475
				2,679,931
Technology Hardware, Storage & Peripherals: 0.75%				
<i>NCR Corporation 144A</i>	5.88	12-15-2021	380,000	402,800
<i>NCR Corporation 144A</i>	6.38	12-15-2023	4,600,000	4,922,000
				5,324,800
Materials: 1.95%				
Chemicals: 0.07%				

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<i>Celanese US Holdings LLC</i>	5.88	6-15-2021	440,000	481,800
Containers & Packaging: 1.38%				
<i>Ball Corporation</i>	5.75	5-15-2021	400,000	425,500
<i>Crown Americas LLC</i>	6.25	2-1-2021	515,000	557,487
<i>Crown Cork & Seal Company Incorporated</i>	7.38	12-15-2026	60,000	66,600
<i>Crown Cork & Seal Company Incorporated (i)</i>	7.50	12-15-2096	1,225,000	1,151,500
<i>Owens-Illinois Incorporated</i>	7.80	5-15-2018	837,000	978,244
<i>Sealed Air Corporation 144A</i>	8.38	9-15-2021	3,740,000	4,310,350
<i>Silgan Holdings Incorporated</i>	5.00	4-1-2020	2,250,000	2,317,500
				9,807,181
Metals & Mining: 0.00%				
<i>Indalex Holdings Corporation (s)(a)(i)</i>	11.50	2-1-2020	5,985,000	0
Paper & Forest Products: 0.50%				
<i>Georgia-Pacific LLC</i>	8.88	5-15-2031	2,430,000	3,569,502
Telecommunication Services: 14.89%				
Diversified Telecommunication Services: 7.07%				
<i>Citizens Communications Company</i>	7.88	1-15-2027	4,205,000	4,231,281
<i>Frontier Communications Corporation</i>	8.13	10-1-2018	1,980,000	2,304,225

The accompanying notes are an integral part of these financial statements.

Table of Contents

16 Wells Fargo Advantage Income Opportunities Fund

Portfolio of investments April 30, 2014

Security name	Interest rate	Maturity date	Principal	Value
Diversified Telecommunication Services				
(continued)				
<i>Frontier Communications Corporation</i>	8.25%	4-15-2017	\$ 2,380,000	\$ 2,769,725
<i>Frontier Communications Corporation</i>	8.50	4-15-2020	1,000,000	1,164,375
<i>GCI Incorporated</i>	6.75	6-1-2021	4,145,000	4,191,631
<i>GCI Incorporated</i>	8.63	11-15-2019	8,750,000	9,351,562
<i>Qwest Corporation</i>	7.13	11-15-2043	1,810,000	1,802,271
<i>Qwest Corporation</i>	7.25	9-15-2025	2,755,000	3,154,442
<i>Qwest Corporation</i>	7.63	8-3-2021	440,000	477,400
<i>Syniverse Holdings Incorporated</i>	9.13	1-15-2019	8,545,000	9,271,325
<i>TW Telecommunications Holdings Incorporated</i>	5.38	10-1-2022	4,815,000	4,887,225
<i>Virgin Media Secured Finance plc 144A</i>	5.38	4-15-2021	605,000	620,125
<i>Windstream Corporation</i>	7.88	11-1-2017	5,380,000	6,180,275
				50,405,862
Wireless Telecommunication Services:				
7.82%				
<i>Crown Castle International Corporation</i>	7.13	11-1-2019	220,000	234,850
<i>MetroPCS Wireless Incorporated</i>	6.63	11-15-2020	5,910,000	6,308,925
<i>MetroPCS Wireless Incorporated</i>	7.88	9-1-2018	3,015,000	3,188,363
<i>SBA Telecommunications Corporation</i>	5.63	10-1-2019	270,000	283,163
<i>SBA Telecommunications Corporation</i>	5.75	7-15-2020	2,795,000	2,934,750
<i>SBA Telecommunications Corporation</i>	8.25	8-15-2019	93,000	98,208
<i>Sprint Capital Corporation</i>	6.88	11-15-2028	19,000,000	18,762,500
<i>Sprint Capital Corporation</i>	8.75	3-15-2032	3,390,000	3,792,563
<i>Sprint Communications Incorporated</i>	7.00	8-15-2020	2,880,000	3,132,000
<i>Sprint Communications Incorporated 144A</i>	9.00	11-15-2018	750,000	914,063
<i>Sprint Communications Incorporated</i>	11.50	11-15-2021	1,200,000	1,608,000
<i>Sprint Corporation 144A</i>	7.13	6-15-2024	1,585,000	1,664,250
<i>Sprint Corporation 144A</i>	7.25	9-15-2021	330,000	359,700
<i>Sprint Corporation 144A</i>	7.88	9-15-2023	330,000	363,825
<i>T-Mobile USA Incorporated</i>	6.13	1-15-2022	140,000	147,175
<i>T-Mobile USA Incorporated</i>	6.25	4-1-2021	845,000	899,925
<i>T-Mobile USA Incorporated</i>	6.46	4-28-2019	265,000	280,900
<i>T-Mobile USA Incorporated</i>	6.50	1-15-2024	140,000	146,825

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<i>T-Mobile USA Incorporated</i>	6.54	4-28-2020	275,000	295,625
<i>T-Mobile USA Incorporated</i>	6.63	4-1-2023	825,000	882,750
<i>T-Mobile USA Incorporated</i>	6.63	4-28-2021	1,510,000	1,630,800
<i>T-Mobile USA Incorporated</i>	6.73	4-28-2022	5,645,000	6,089,544
<i>T-Mobile USA Incorporated</i>	6.84	4-28-2023	1,575,000	1,695,094
				55,713,798

Utilities: 4.06%

Electric Utilities: 2.51%

<i>Energy Future Holdings Corporation (t)</i>	10.00	12-1-2020	150,000	158,812
<i>Energy Future Intermediate Holding Company LLC 144A(t)</i>	6.88	8-15-2017	875,000	912,187
<i>IPALCO Enterprises Incorporated 144A</i>	7.25	4-1-2016	3,403,000	3,734,793
<i>Mirant Mid-Atlantic LLC Series C</i>	10.06	12-30-2028	7,560,525	8,429,985
<i>Otter Tail Corporation (i)</i>	9.00	12-15-2016	3,985,000	4,657,230
				17,893,007

The accompanying notes are an integral part of these financial statements.

Table of Contents

Portfolio of investments April 30, 2014

Wells Fargo Advantage Income Opportunities Fund 17

Security name	Interest rate	Maturity date	Principal	Value
Gas Utilities: 0.55%				
<i>AmeriGas Finance LLC</i>	6.50%	5-20-2021	\$ 75,000	\$ 80,437
<i>AmeriGas Finance LLC</i>	6.75	5-20-2020	1,675,000	1,821,562
<i>AmeriGas Finance LLC</i>	7.00	5-20-2022	1,840,000	2,024,000
				3,925,999
Independent Power & Renewable Electricity Producers: 1.00%				
<i>Calpine Corporation 144A</i>	6.00	1-15-2022	715,000	759,687
<i>NSG Holdings LLC 144A</i>	7.75	12-15-2025	3,640,000	3,894,800
<i>Reliant Energy Incorporated</i>	9.24	7-2-2017	1,621,527	1,653,958
<i>Reliant Energy Incorporated</i>	9.68	7-2-2026	780,000	826,800
				7,135,245
Total Corporate Bonds and Notes (Cost \$720,448,679)				758,668,531
	Dividend yield		Shares	
Preferred Stocks: 0.31%				
Financials: 0.31%				
Diversified Financial Services: 0.31%				
<i>GMAC Capital Trust I ±</i>	8.13		81,784	2,248,242
Total Preferred Stocks (Cost \$2,078,248)				2,248,242
	Interest rate		Principal	
Term Loans ±: 14.53%				
<i>Accellent Incorporated <%%</i>	0.00	3-11-2022	\$ 1,030,000	1,014,550
<i>Advantage Sales & Marketing LLC</i>	8.25	6-17-2018	846,429	852,353
<i>Alliance Laundry Systems LLC</i>	9.50	12-10-2019	3,722,755	3,727,408

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<i>Applied Systems Incorporated</i>	7.50	1-22-2022	535,000	540,350
<i>Asurion LLC <%%</i>	8.50	3-3-2021	2,025,000	2,078,156
<i>Capital Automotive LP</i>	4.00	4-10-2019	5,037,675	5,032,939
<i>Capital Automotive LP</i>	6.00	4-30-2020	2,450,000	2,474,500
<i>CBAC Borrower LLC</i>	8.25	7-2-2020	1,965,000	2,038,687
<i>CCM Merger Incorporated</i>	5.00	3-1-2017	4,576,240	4,559,079
<i>Centaur Acquisition LLC</i>	8.75	2-20-2020	3,135,000	3,161,115
<i>Dell Incorporated</i>	4.50	4-29-2020	13,671,300	13,630,286
<i>Focus Brands Incorporated</i>	10.25	8-21-2018	4,124,203	4,175,755
<i>Four Seasons Holdings Incorporated</i>	6.25	12-24-2020	550,000	556,875
<i>HGIM Corporation <%%</i>	0.00	6-18-2020	2,000,000	1,965,000
<i>HHI Holdings LLC <%%</i>	5.00	10-5-2018	4,032,078	4,028,732
<i>Learfield Communications Incorporated</i>	8.75	10-9-2021	245,000	248,675
<i>Level 3 Financing Incorporated</i>	4.00	1-15-2020	5,750,000	5,758,970
<i>LTS Buyer LLC</i>	8.00	4-12-2021	931,575	937,397
<i>nTelos Incorporated</i>	5.75	11-9-2019	1,115,055	1,115,757
<i>Philadelphia Energy Solutions LLC</i>	6.25	4-4-2018	4,712,400	4,205,817
<i>Sedgwick ncorporated</i>	6.75	2-28-2022	1,020,000	1,007,893
<i>Spin Holdco Incorporated</i>	4.25	11-14-2019	2,773,424	2,761,637
<i>Tallgrass Operations LLC</i>	4.25	11-13-2018	2,358,360	2,372,109
<i>Texas Competitive Electric Holdings LLC (s)</i>	3.74	10-10-2014	34,355,889	25,838,377
<i>TWCC Holdings Corporation <%%</i>	7.00	6-26-2020	3,390,000	3,368,813

The accompanying notes are an integral part of these financial statements.

Table of Contents

18 Wells Fargo Advantage Income Opportunities Fund

Portfolio of investments April 30, 2014

Security name	Interest rate	Maturity date	Principal	Value
Term Loans ± (continued)				
<i>United Surgical Partners International Incorporated</i>	4.75%	4-3-2019	\$ 2,205,281	\$ 2,207,111
<i>Vertafore Incorporated</i>	9.75	10-29-2017	845,000	855,563
<i>W3 Company</i>	9.25	9-13-2020	488,775	488,775
<i>WASH Multifamily Laundry Systems LLC</i>	4.50	2-21-2019	2,628,450	2,608,737
Total Term Loans (Cost \$107,698,470)				103,611,416
Yankee Corporate Bonds and Notes:				
5.52%				
Consumer Discretionary: 0.03%				
Media: 0.03%				
<i>Videotron Limited</i>	6.38	12-15-2015	100,000	100,250
<i>Videotron Limited</i>	9.13	4-15-2018	78,000	80,730
				180,980
Energy: 0.26%				
Oil, Gas & Consumable Fuels: 0.26%				
<i>Griffin Coal Mining Company Limited 144A(s)</i>	9.50	12-1-2016	2,119,383	1,621,328
<i>Griffin Coal Mining Company Limited (s)</i>	9.50	12-1-2016	290,088	221,917
<i>Teekay Corporation</i>	8.50	1-15-2020	10,000	11,550
				1,854,795
Financials: 0.10%				
Diversified Financial Services: 0.10%				
<i>Nielsen Holding and Finance BV 144A</i>	5.50	10-1-2021	700,000	729,750
<i>Preferred Term Securities XII Limited (s)(i)</i>	0.00	12-24-2033	1,540,000	15
				729,765
Health Care: 0.48%				

Pharmaceuticals: 0.48%*Valeant Pharmaceuticals International**Incorporated 144A*

6.75 8-15-2018 1,120,000 1,212,400

VPPI Escrow Corporation 144A

7.50 7-15-2021 1,995,000 2,224,425

3,436,825

Information Technology: 0.48%**Technology Hardware, Storage & Peripherals: 0.48%***Seagate Technology HDD Holdings*

6.80 10-1-2016 1,275,000 1,434,375

Seagate Technology HDD Holdings

6.88 5-1-2020 1,860,000 2,022,750

3,457,125

Materials: 0.84%**Metals & Mining: 0.59%***Novelis Incorporated*

8.38 12-15-2017 1,100,000 1,174,250

Novelis Incorporated

8.75 12-15-2020 2,675,000 2,982,625

4,156,875

Paper & Forest Products: 0.25%*Sappi Limited 144A*

7.50 6-15-2032 2,155,000 1,799,425

The accompanying notes are an integral part of these financial statements.

Table of Contents

Portfolio of investments April 30, 2014

Wells Fargo Advantage Income Opportunities Fund 19

Security name	Interest rate	Maturity date	Principal	Value
Telecommunication Services: 3.33%				
Diversified Telecommunication Services: 3.12%				
<i>Intelsat (Luxembourg) SA</i>	7.75%	6-1-2021	\$ 1,985,000	\$ 2,069,363
<i>Intelsat (Luxembourg) SA</i>	8.13	6-1-2023	890,000	934,500
<i>Intelsat Jackson Holdings SA 144A</i>	5.50	8-1-2023	5,000,000	4,893,750
<i>Intelsat Jackson Holdings SA</i>	6.63	12-15-2022	1,235,000	1,268,963
<i>Intelsat Jackson Holdings SA</i>	7.25	4-1-2019	5,760,000	6,170,400
<i>Intelsat Jackson Holdings SA</i>	7.25	10-15-2020	3,225,000	3,483,000
<i>Intelsat Jackson Holdings SA</i>	7.50	4-1-2021	2,214,000	2,427,098
<i>Intelsat Jackson Holdings SA</i>	8.50	11-1-2019	905,000	968,350
				22,215,424
Wireless Telecommunication Services: 0.21%				
<i>Telesat Canada Incorporated 144A</i>	6.00	5-15-2017	1,475,000	1,524,781
Total Yankee Corporate Bonds and Notes (Cost \$38,069,223)				39,355,995
	Yield		Shares	
Short-Term Investments: 4.91%				
Investment Companies: 4.91%				
<i>Wells Fargo Advantage Cash Investment Money Market Fund, Select Class (l)(u)##</i>	0.07		34,974,422	34,974,422
Total Short-Term Investments (Cost \$34,974,422)				34,974,422
Total investments in securities				

(Cost \$906,378,807) *	131.97%	940,691,495
<i>Other assets and liabilities, net</i>	(31.97)	(227,910,545)
Total net assets	100.00%	\$ 712,780,950

Non-income-earning security

(i) Illiquid security for which the designation as illiquid is unaudited

144A Security that may be resold to qualified institutional buyers under Rule 144A or security offered pursuant to Section 4(2) of the Securities Act of 1933, as amended

¥ A payment-in-kind (PIK) security is a security in which the issuer may make interest or dividend payments in cash or additional securities. These additional securities generally have the same terms as the original holdings.

%% Security issued on a when-issued basis.

(s) Security is currently in default with regards to scheduled interest and/or principal payments. The Fund has stopped accruing interest on this security.

(t) Security is currently in default with regards to scheduled interest and/or principal payments.

(a) Security is fair valued by the Management Valuation Team, and in certain instances by the Board of Trustees, in accordance with procedures approved by the Board of Trustees.

± Variable rate investment. The rate shown is the rate in effect at period end.

< All or a portion of the position represents an unfunded loan commitment.

(l) Represents an affiliate of the Fund under Sections 2(a)(2) and 2(a)(3) of the Investment Company Act of 1940, as amended

(u) Rate shown is the 7-day annualized yield at period end.

All or a portion of this security has been segregated