RICHARDSON ELECTRONICS LTD/DE
Form S-4
March 12, 2004

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 12, 2004

Registration Statement No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

Registration Statement
Under
the Securities Act of 1933

RICHARDSON ELECTRONICS, LTD.

(Exact name of registrant as specified in its charter)

Delaware	**5065**	**36-2096643**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

40W267 Keslinger Road
P.O. Box 393
LaFox, Illinois 60147-0393
(630) 208-2200
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

William G. Seils, Esq.
Senior Vice President, General Counsel & Secretary
Richardson Electronics, Ltd.
P.O. Box 393
LaFox, Illinois 60147-0393
(630) 208-2200
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As promptly as possible upon effectiveness of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum aggregate offering price	Amount of registration fee
Convertible Senior Subordinated Notes Common Stock, $.05 par value	$70,825,000	$70,825,000(1)(2)	$8,806(3)(4)

(1) This registration statement relates to the exchange by us of an aggregate of up to $30,825,000 principal amount of our $7^1/_4$% debentures and up to $40,000,000 principal amount of our $8^1/_4$% debentures for $1,000 in principal amount of our Convertible Senior Subordinated Notes for each $1,000 in principal amount of $7^1/_4$% debentures or $8^1/_4$% debentures tendered.

(2) This amount is the maximum principal amount of $7^1/_4$% debentures and $8^1/_4$% debentures that we may receive from tendering holders.

(3) The amount of the registration fee paid herewith was calculated, pursuant to Rule 457(f)(1) under the Securities Act of 1933, as amended, based on $69,500,250, the market value as of March 9, 2004 of the maximum amount of $7^1/_4$% debentures and $8^1/_4$% debentures that may be received by the registrant from tendering holders based on the average of the bid and ask price of the maximum amount of $7^1/_4$% debentures and $8^1/_4$% debentures that may be received by the registrant from tendering holders.

(4) Such indeterminate number of shares of common stock as shall be issuable upon conversion of the Convertible Senior Subordinated Notes being registered hereunder. No additional consideration will be received for the common stock and therefore no registration fee is required pursuant to Rule 457(i) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED MARCH 12, 2004

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Offer to Exchange

% Convertible Senior Subordinated Notes due 2011
for all outstanding
$7^1/_4$% Convertible Subordinated Debentures due 2006 and
$8^1/_4$% Convertible Senior Subordinated Debentures due 2006

We are offering to exchange $1,000 principal amount of our % Convertible Senior Subordinated Notes due 2011, which we refer to as the "notes," for an equal principal amount of our $7^1/_4$% Convertible Subordinated Debentures due 2006, which we refer to as the "$7^1/_4$% debentures," or our $8^1/_4$% Convertible Senior Subordinated Debentures due 2006, which we refer to as our "$8^1/_4$% debentures" and, together with the $7^1/_4$% debentures, which we refer to as the "outstanding debentures," that are validly tendered and accepted for exchange on the terms set forth in this prospectus and in the accompanying letter of transmittal, which we refer to together as the "exchange offer."

The notes are convertible at any time into shares of our common stock at a conversion price of $ per share, subject to adjustment. Interest on the notes is payable on and of each year, beginning , 2004. The notes mature on , 2011. The notes are subordinate to our senior indebtedness. We may not redeem the notes in whole or in part at any time prior to , 2007. After , 2007 and at any time prior to , 2010, we may redeem the notes at 100% of the principal amount of the notes plus accrued and unpaid interest, if any, to the date of redemption if at any time the closing price of our common stock has exceeded % of the conversion price of the notes for 20 of 30 trading days. After , 2010, we may redeem the notes at any time at 100% of the principal amount of the notes plus accrued and unpaid interest, if any, to the date of redemption.

The exchange offer is open to all holders of outstanding debentures and you may choose to exchange any amount of your $7^1/_4$% debentures and your $8^1/_4$% debentures.

The exchange offer is subject to important conditions, including that at least 75% of the outstanding debentures are validly tendered and not withdrawn by the expiration of the exchange offer. See page 73 for directions on how to tender your outstanding debentures.

The exchange offer will expire at 5:00 p.m., New York City time, on , 2004, unless we extend the offer. You may withdraw any outstanding debentures tendered until the expiration of the exchange offer.

We mailed this prospectus and the related letter of transmittal for our exchange offer on , 2004.

The notes will not be listed on any securities exchange. Our common stock is quoted on The Nasdaq National Market under the symbol "RELL." On March 5, 2004, the last reported sale price of our common stock on The Nasdaq National Market was $13.35 per share.

Concurrently with this exchange offer, we are separately offering to sell 3,000,000 shares of our common stock, or 3,450,000 shares of our common stock if the underwriters fully exercise their over-allotment option. See "Concurrent Offering."

See the information under "Risk Factors" beginning on page 16 of this prospectus for a discussion of factors you should consider in determining whether to exchange your outstanding debentures for notes. Neither our board of directors nor any other person is making a recommendation as to whether you should exchange your outstanding debentures for notes. You should consult your own advisors and must make your own decision as to whether to participate in the exchange offer. We are not asking you for a proxy and you are requested not to send us a proxy.

We have retained Bondholder Communications Group as our Information Agent to assist you in connection with the exchange offer. You may call the Information Agent at 1-888-385-2663 to receive additional documents and to ask questions.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The Dealer Manager for this exchange offer is:

Jefferies & Company, Inc.

The date of this Prospectus is March , 2004.

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You should rely only on the information contained in this prospectus. We have not authorized anyone else to provide you with additional or different information. This prospectus is not an offer to sell or a solicitation of an offer to buy securities in any circumstances in which the offer or solicitation is unlawful. You should not interpret the delivery of this prospectus, or any sale of securities, as an indication that there has been no change in our affairs since the date of this prospectus. You should also be aware that information in this prospectus may change after this date.

When we use the terms "we," "us," "our" or the "Company" in this prospectus, we mean Richardson Electronics, Ltd. and its subsidiaries, on a consolidated basis, unless we state or the context implies otherwise.

References in this prospectus to our "common stock" mean our common stock, \$.05 par value per share; references to the "notes" mean the new % Convertible Senior Subordinated Notes due 2011; references to the "8$^1/_4$% debentures" mean our outstanding 8$^1/_4$% Convertible Senior Subordinated Debentures due June 15, 2006; references to the "7$^1/_4$% debentures" mean our outstanding 7$^1/_4$% Convertible Subordinated Debentures due December 15, 2006; and references to our "outstanding debentures" mean the 7$^1/_4$% debentures and the 8$^1/_4$% debentures, collectively.

QUESTIONS AND ANSWERS REGARDING PROCEDURAL ASPECTS OF THE EXCHANGE OFFER

Q:

What is the exchange offer?

A:

In the exchange offer, we are offering to exchange our outstanding $7^{1}/_{4}$% debentures and our $8^{1}/_{4}$% debentures for the notes, up to a maximum aggregate principal amount of $70,825,000 assuming the exchange of all outstanding debentures.

Q:

What will I receive in exchange for my outstanding debentures under the exchange offer?

A:

If you tender your outstanding debentures in the exchange offer, you will receive, for each $1,000 in principal amount of outstanding debentures tendered, $1,000 in principal amount of the notes.

Q:

Who can participate in the exchange offer?

A:

Any holder of outstanding debentures may exchange some or all of their outstanding debentures for notes pursuant to the exchange offer.

Q:

How do I tender my outstanding debentures in the exchange offer, and to whom should I send my outstanding debentures?

A:

If you hold outstanding debentures through a broker, dealer, bank, trust company or other nominee, you should instruct your nominee to tender your outstanding debentures for you.

If

you hold outstanding debentures in your own name, you should complete the letter of transmittal included with this prospectus and deliver the completed letter of transmittal with the outstanding debentures to the Exchange Agent, J.P. Morgan Trust Company, National Association. The address and telephone number for the Exchange Agent is on the back cover of this prospectus.

Q:

How long will the exchange offer remain open?

A:

The exchange offer will expire at 5:00 p.m., New York City time, on   , 2004, unless we extend it.

Q:

If I tender my outstanding debentures, when will I receive my notes?

A:

If you validly tender your outstanding debentures in the exchange offer, you will receive notes promptly after the expiration of the exchange offer.

Q:

May I revoke my tender of outstanding debentures at any time?

A:

If you hold outstanding debentures through a broker, dealer, bank, trust company or other nominee, you can revoke the tender of your outstanding debentures prior to the expiration of the exchange offer by directing your nominee to contact the Exchange Agent, J.P. Morgan Trust Company, National Association, at its address on the back cover of this prospectus.

If

you hold outstanding debentures in your own name, you can revoke the tender of our outstanding debentures prior the expiration of the exchange offer by sending a written notice of withdrawal to the Exchange Agent, J.P. Morgan Trust Company, National Association, at its address on the back cover of this prospectus.

Q:

Whom should I call if I have questions or need additional copies of this prospectus, the letter of transmittal or other documents?

A:

You may obtain additional copies of this prospectus, the letter of transmittal and other related documents from the Information Agent, Bondholder Communications Group. The address and telephone number for the Information Agent is on the back cover of this prospectus.

For further information about the procedures for tendering your outstanding debentures, see "The Exchange Offer Procedures for Tendering."

SUMMARY

This summary highlights selected information from this document and may not contain all of the information that is important to you. To understand the exchange offer better, you should read this entire prospectus and the letter of transmittal carefully, as well as the additional documents to which we refer you. See "Where You Can Find More Information."

Our Company

We are a global provider of engineered solutions and a distributor of electronic components to the radio frequency, or RF, and wireless communications, industrial power conversion, security, and display systems markets. We are committed to a strategy of providing specialized technical expertise and value-added products, which we refer to as "engineered solutions," in response to our customers' needs. We estimate that approximately 50% of our sales involve engineered solutions, consisting of:

- products which we manufacture or modify;
- products which are manufactured to our specifications by independent manufacturers under our own private labels, and
- value we add through design-in support, systems integration, prototype design and manufacturing, testing, and logistics for our customers' end products. We define design-in support to be component modifications or the identification of lower-cost product alternatives or complementary products.

Our products include RF and microwave components, power semiconductors, electron tubes, microwave generators, data display monitors, and electronic security products and systems. These products are used to control, switch or amplify electrical power or signals, or as display, recording or alarm devices in a variety of industrial, communication, and security applications.

Our broad array of technical services and products supports both our customers and vendors.

Our Strategic Business Units

We serve our customers through four strategic business units, each of which is focused on different end markets with distinct product and application needs. Our four strategic business units are:

- RF and Wireless Communications Group;
- Industrial Power Group;
- Security Systems Division; and
- Display Systems Group.

Each strategic business unit has dedicated marketing, sales, product management and purchasing functions to better serve its targeted markets. The strategic business units operate globally, serving North America, Europe, Asia/Pacific, and Latin America.

RF & Wireless Communications Group

Our RF and Wireless Communications Group serves the expanding global RF and wireless communications market, including infrastructure and wireless networks, as well as the fiber optics market. Our team of RF and wireless engineers assists customers in designing circuits, selecting cost effective components, planning reliable and timely supply, prototype testing, and assembly. The group offers our customers and vendors complete engineering and technical support from the design-in of RF and wireless components to the development of engineered solutions for their system requirements.

We expect continued growth in wireless applications as the demand for all types of wireless communication increases worldwide. We believe wireless networking and infrastructure products for a number of niche applications will require engineered solutions using the latest RF technology and electronic components, including:

- automotive telematics, which is the use of computers and telecommunications to provide wireless voice and data applications in motor vehicles;
- RF identification, which is an electronic data collection and identification technology for a wide range of products to transfer data between a movable item and a reader to identify, track, or locate items; and
- wireless local area networks.

In addition to voice communication, we believe the rising demand for high-speed data transmission will result in major investments in both system upgrades and new systems to handle broader bandwidth.

Industrial Power Group

Our Industrial Power Group provides engineered solutions for customers in the steel, automotive, textile, plastics, semiconductor manufacturing, and transportation industries. Our team of engineers designs solutions for applications such as motor speed controls, industrial heating, laser technology, semiconductor manufacturing equipment, radar, and welding. We build on our expertise in power conversion technology to provide engineered solutions to fit our customers' specifications using what we believe are the most competitive components from industry-leading vendors.

This group serves the industrial market's need for both vacuum tube and solid-state technologies. We provide replacement products for systems using electron tubes as well as design and assembly services for new systems employing power semiconductors. As electronic systems increase in functionality and become more complex, we believe the need for intelligent, efficient power management will continue to increase and drive power conversion demand growth.

Security Systems Division

Our Security Systems Division is a global provider of closed circuit television, fire, burglary, access control, sound, and communication products and accessories for the residential, commercial, and government markets. We specialize in closed circuit television design-in support, offering extensive expertise with applications requiring digital technology. Our products are primarily used for security and access control purposes but are also utilized in industrial applications, mobile video, and traffic management.

The security systems industry is rapidly transitioning from analog to digital imaging technology. We are positioned to take advantage of this transition through our array of innovative products and solutions marketed under our *National Electronics*, *Capture*, *AudioTrak*, and *Elite National Electronics* brands, including advanced equipment such as digital video recorders, Internet-based amplifiers, covert cameras, speed dome cameras, and telephone-control-based closed circuit television systems. We expect to gain additional market share by marketing ourselves as a value-added service provider and partnering with our other strategic business units to develop customized solutions as the transition to digital technology continues in the security industry.

Display Systems Group

Our Display Systems Group is a global provider of integrated display products and systems to the public information, financial, point-of-sale, and medical imaging markets. The group works with leading hardware vendors to offer the highest quality liquid crystal display, plasma, cathode ray tube, and customized display monitors. Our engineers design custom display solutions that include touch screens, protective panels, custom enclosures, specialized finishes, application specific software, and privately branded products.

The medical imaging market is transitioning from film-based technology to digital technology. Our medical imaging hardware partnership program allows us to deliver integrated hardware and software solutions for this growing market by combining our hardware expertise in medical imaging engineered solutions with our software partners' expertise in picture archiving and communications systems. Through such collaborative arrangements, we are able to provide integrated workstation systems to the end user.

Business Strategies

We are pursuing a number of strategies designed to enhance our business and, in particular, to increase sales of engineered solutions. Our strategies are to:

Capitalize on Engineering and Manufacturing Expertise. We believe that our success is largely attributable to our core engineering and manufacturing competency and skill in identifying cost-competitive solutions for our customers, and we believe that these factors will be significant to our future success. Historically, our primary business was the distribution and manufacture of electron tubes and we continue to be a major supplier of these products. This business enabled us to develop manufacturing and design engineering capabilities. Today, we use this expertise to identify engineered solutions for customers' applications not only in electron tube technology but also in new and growing end markets and product applications. We work closely with our customers' engineering departments which allows us to identify engineered solutions for a broad range of applications. We believe our customers use our engineering and manufacturing expertise as well as our in depth knowledge of the components best suited to deliver a solution that meets their performance needs cost-effectively.

Target Selected Niche Markets. We focus on selected niche markets that demand a high level of specialized technical service, where price is not the primary competitive factor. These niche markets include wireless infrastructure, high power/high frequency power conversion, custom display and digital imaging. In most cases, we do not compete against pure commodity distributors. We often function as an extension of our customers' and vendors' engineering teams. Frequently, our customers use our design and engineering expertise to provide a product solution that is not readily available from a traditional distributor. By utilizing our expertise, our customers and vendors can focus their engineering resources on more critical core design and development issues.

Focus on Growth Markets. We are focused on markets we believe have high growth potential and which can benefit from our engineering and manufacturing expertise and from our strong vendor relationships. These markets are characterized by substantial end-market growth and rapid technological change. For example, the continuing demand for wireless communications is driving wireless application growth. Power conversion demand continues to grow due to increasing system complexity and the need for intelligent, efficient power management. We also see growth opportunities as security systems transition from analog to digital video recording and medical display systems transition from film to digital imaging.

Leverage Our Existing Customer Base. An important part of our growth is derived from offering new products to our existing customer base. We support the migration of our Industrial Power Group customers from electron tubes to newer solid-state technologies. Sales of products other than electron tubes represented approximately 83% of our sales in fiscal 2003 compared to 71% in fiscal 1999. In addition, our salespeople increase sales by selling products from all strategic business units to

customers who currently may only purchase from one strategic business unit and by selling engineered solutions to customers who currently may only purchase standard components.

Growth and Profitability Strategies

Our long-range growth plan is centered around three distinct strategies by which we are seeking to maximize our overall profitability:

Focus on Internal Growth. We believe that, in most circumstances, internal growth provides the best means of expanding our business, both on a geographic and product line basis. The recent economic downturn increased the trend to outsourcing engineering as companies focused on their own core competencies, which we believe contributed to the increased demand for our engineered solutions. As technologies change, we plan to continue to capitalize on our customers' need for design engineering. We serve approximately 120,000 customers worldwide and have developed internal systems to capture forecasted product demand by potential design opportunity. This allows us to anticipate our customers' future requirements and identify new product opportunities. In addition, we share these future requirements with our manufacturing suppliers to help them predict near and long-term demand, technology trends and product life cycles.

Expansion of our product offerings is an ongoing program. In particular, the following areas have generated significant sales increases in recent years: RF amplifiers; interconnect and passive devices; silicon controlled rectifiers; custom and medical monitors; and digital closed circuit television security systems.

Reduce Operating Costs Through Continuous Operational Improvements. We constantly strive to reduce costs in our business through initiatives designed to improve our business processes. Recently, we have embarked on a vigorous program in an effort to improve operating efficiencies and asset utilization, with an emphasis on inventory control. Our incentive programs were revised in fiscal 2004 to heighten our managers' commitment to these objectives. Our strategic business units' goals are now based on return on assets. Additional programs are ongoing, including a significant investment in enterprise resource planning software scheduled for implementation during this calendar year.

Grow Through Acquisitions. We have an established record of acquiring and integrating businesses. Since 1980, we have acquired 34 companies or significant product lines and continue to evaluate acquisition opportunities on an ongoing basis. We seek acquisitions that provide product line growth opportunities by permitting us to leverage our existing customer base, expand the geographic coverage for our existing product offerings, or add incremental engineering resources/expertise. Our most significant acquisitions over the past five years include:

TRL Engineering (amplifier pallet design and engineering now part of our RF and Wireless Communications Group) in 1999;

Pixelink (display systems integration now part of our Display Systems Group) in 1999;

Adler Video (security systems now part of our Security Systems Division) in 1999;

Celti (fiber optic communication now part of our RF and Wireless Communications Group) in 2001;

Aviv (design-in services for active and passive components now part of our RF and Wireless Communications Group) in 2001; and

Sangus (RF and microwave applications now part of our RF and Wireless Communications Group) in 2002.

Our principal executive offices are located at 40W267 Keslinger Road, P.O. Box 393, LaFox, Illinois 60147-0393, and our telephone number is (630) 208-2200. Our website address is *www.rell.com.* Information contained on our website does not constitute part of this prospectus.

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The Exchange Offer

General

We are offering to exchange $1,000 principal amount of notes for each $1,000 principal amount of 7$^1/_4$% debentures or 8$^1/_4$% debentures accepted for exchange. Upon expiration of the exchange offer, we will also pay accrued and unpaid interest up to the date of acceptance on outstanding debentures accepted for exchange.

Purpose of the Exchange Offer

We believe that this exchange offer will strengthen our financial position, improve our capital structure and reduce our cash expenditures by:

- reducing our interest expense by up to $ per year and up to $ in the aggregate through the maturity of the 8$^1/_4$% debentures on June 15, 2006 and the maturity of the 7$^1/_4$% debentures on December 15, 2006;

- increasing the likelihood that those who participate in the exchange offer will elect to convert the notes into shares of our common stock due to the lower conversion price; and issuing the notes with a maturity date beyond that of the outstanding debentures, both series of which mature in 2006.

Both the $7^{1}/_{4}$% debentures and the $8^{1}/_{4}$% debentures mature in 2006. It is not likely that we will be able to generate sufficient cash to repay the outstanding debentures in full at maturity. Our unrestricted cash, cash equivalents and marketable investments were approximately $20.8 million at November 29, 2003.

Conditions to Exchange Offer

The exchange offer is subject to various conditions, including that at least 75% of the outstanding principal amount of outstanding debentures be validly tendered and not withdrawn by the expiration of the exchange offer, and that the registration statement and any post-effective amendment to the registration statement covering the notes are effective under the Securities Act of 1933, as amended, which we refer to as the "Securities Act."

Expiration of the Exchange Offer

The exchange offer will expire at 5:00 p.m., New York City time, on , 2004 unless we decide to extend it. We may extend the expiration date for any reason. If we decide to extend it, we will announce the extension by press release or other permitted means no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration of the exchange offer.

Tenders and Withdrawals of Outstanding Debentures

In order to tender outstanding debentures, you must submit the outstanding debentures together with a properly completed letter of transmittal and the other agreements and documents described in this document. If you own outstanding debentures through a broker or other third party, or in "street name," you will need to follow the instructions in this document on how to instruct them to tender the outstanding debentures on your behalf, as well as submit a letter of transmittal and the other documents described in this document. We will determine in our reasonable discretion whether any outstanding debentures have been validly tendered.

If you decide to tender outstanding debentures in the exchange offer, you may withdraw them at any time prior to the expiration of the exchange offer.

If we decide for any reason not to accept any outstanding debentures for exchange, they will be returned without expense promptly after the expiration of the exchange offer.

Please see pages 73 through 76 for instructions on how to tender or withdraw your outstanding debentures.

Acceptance of Outstanding Debentures

Subject to the conditions of the exchange offer, we will accept all outstanding debentures validly tendered and not withdrawn prior to the expiration of the exchange offer and will issue the notes promptly after the expiration of the exchange offer. We will accept outstanding debentures for exchange after the Exchange Agent has received a timely book-entry confirmation of transfer of outstanding debentures into the Exchange Agent's account at The Depository Trust Company, which we refer to as "DTC," and a properly completed and executed letter of transmittal. Our oral or written notice of acceptance to the Exchange Agent will be considered our acceptance of the exchange offer.

Accrued Interest on Existing Debentures

Upon completion of our exchange offer, we will pay exchanging holders accrued and unpaid interest on their outstanding debentures through the date of acceptance. The amount of accrued interest will be calculated from the last interest payment date to, but excluding, the closing date of our exchange offer.

Amendment of the Exchange Offer

We reserve the right not to accept any of the outstanding debentures tendered, and to otherwise interpret or modify the terms of this exchange offer, provided that we will comply with applicable laws that require us to extend the period during which outstanding debentures may be tendered or withdrawn as a result of changes in the terms of or information relating to the exchange offer.

Use of Proceeds; Fees and Expenses of the Exchange Offer

We will not receive any cash proceeds from this exchange offer. Outstanding debentures that are validly tendered and exchanged pursuant to the exchange offer will be retired and canceled. Accordingly, our issuance of notes will not result in any cash proceeds to us. We estimate that the approximate total cost of the exchange offer will be $ million.

Risk Factors

You should consider carefully the matters described under the caption "Risk Factors" beginning on page 16, as well as other information in this prospectus and in the related letter of transmittal for our exchange offer.

Taxation

Although the matter is not free from doubt, we believe that the exchange of outstanding debentures for notes should be treated as a tax-free recapitalization for United States federal income tax purposes. Accordingly, United States holders of outstanding debentures who participate in the exchange offer should not recognize gain or loss in connection with the exchange.

The notes will be treated as issued with original issue discount for United States federal income tax purposes if their stated redemption price at maturity exceeds their issue price (determined in accordance with certain special rules) by more than a statutory *de minimis* amount. If that is the case, United States holders will generally be required to include such original issue discount on the

notes in income for United States federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest, even if they have not yet received cash payments attributable to such income.

Please see "Risk Factors The exchange offer may not receive the tax treatment we expect" and "Material United States Federal Income Tax Consequences" for more information.

Deciding Whether to Tender Your Outstanding Debentures in Our Exchange Offer

Neither we nor our directors or officers make any recommendation as to whether you should tender or refrain from tendering your outstanding debentures in our exchange offer. Further, we have not authorized anyone to make any such recommendation. You must make your own decision whether to tender your outstanding debentures in our exchange offer based on your own financial position and requirements, and, if so, the aggregate amount of your outstanding debentures that you wish to tender, after reading this prospectus and the related letter of transmittal for our exchange offer, as well as consulting with your advisors, if any.

Consequences of Not Exchanging Outstanding Debentures

If you do not exchange all of your outstanding debentures in the exchange offer, the liquidity and trading market for any of the outstanding debentures that are not tendered in the exchange offer is likely to be adversely affected if and to the extent that any of the outstanding debentures are tendered and accepted for exchange in our exchange offer. We intend to redeem any outstanding debentures not exchanged in our exchange offer.

Please read the section of this prospectus entitled "The Exchange Offer Consequences of Failure to Tender Outstanding Debentures" and "Concurrent Offering" for more information.

Dissenters' Rights of Appraisal

Under Delaware General Corporation Law, holders of our outstanding debentures do not have the right to petition a court to review the fairness of the consideration we are offering in this exchange offer.

Summary Comparison of 7$^{1}/_{4}$% Debentures and 8$^{1}/_{4}$% Debentures to the Notes

The following comparison of the terms of the $7^{1}/_{4}$% debentures and the $8^{1}/_{4}$% debentures to the terms of the notes is only a summary. For a more detailed description of the terms of the outstanding debentures and terms common to all of the outstanding debentures, please see "Description of Outstanding Debentures." For a more detailed description of the terms of the notes, please see "Description of Notes." For a more detailed description of the differences between the notes and the outstanding debentures, please see "Description of Outstanding Debentures" and "Description of Notes."

	Notes	**$7^{1}/_{4}$% Debentures**	**$8^{1}/_{4}$% Debentures**
Issuer	Richardson Electronics, Ltd.	Richardson Electronics, Ltd.	Richardson Electronics, Ltd.
Securities	convertible senior subordinated notes	convertible subordinated debentures	convertible senior subordinated debentures
Interest	% per year	$7^{1}/_{4}$% per year	$8^{1}/_{4}$% per year
Interest payment dates	and	June 15 and December 15	June 15 and December 15
Maturity date	, 2011	December 15, 2006	June 15, 2006
Ranking	The notes are our unsecured obligations, senior to the $7^{1}/_{4}$% debentures, the $8^{1}/_{4}$% debentures, and future indebtedness that is expressly made subordinate to the notes. The notes are subordinated to amounts borrowed under the credit agreement and future indebtedness that is not expressly subordinate to the notes. In addition, the notes are structurally subordinate to any indebtedness of our subsidiaries.	The $7^{1}/_{4}$% debentures are our unsecured obligations, senior to future indebtedness that is expressly made subordinate to the $7^{1}/_{4}$% debentures. The $7^{1}/_{4}$% debentures are subordinate to the notes, the $8^{1}/_{4}$% debentures, amounts borrowed under our credit agreement and future indebtedness that is not expressly subordinate to the $7^{1}/_{4}$% debentures are structurally subordinate to any indebtedness of our subsidiaries.	The $8^{1}/_{4}$% debentures are our unsecured obligations, senior to the $7^{1}/_{4}$% debentures and future indebtedness that is expressly made subordinate to the $8^{1}/_{4}$% debentures. The $8^{1}/_{4}$% debentures are subordinate to the notes, amounts borrowed under our credit agreement and future indebtedness that is not expressly subordinate to the $8^{1}/_{4}$% debentures are structurally subordinate to any indebtedness of our subsidiaries.
Conversion	Convertible into our common stock at any time at the option of the holder at a price equal to $ per share, subject to adjustment if we pay cash dividends in excess of $.16 per share of common stock or $.144 per share of Class B common stock, each on an annual basis, and in certain other events.	Convertible into our common stock at any time at the option of the holder at a conversion price equal to $21.14 per share, subject to adjustment in certain events.	Convertible into our common stock at any time at the option of the holder at a conversion price equal to $18.00 per share, subject to adjustment in certain events.

Optional redemption	The notes will not be redeemable at any time prior to , 2007. After , 2007 and at any time prior to , 2010, we may redeem the notes at 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest if the closing price of our common stock has exceeded % of the conversion price of the notes for 20 of 30 consecutive trading days. After , 2010, we may redeem the notes at 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest.	We may redeem the $7^{1}/_{4}$% debentures at any time at 100% of the principal amount of the $7^{1}/_{4}$% debentures to be redeemed plus accrued and unpaid interest.	We may redeem the $8^{1}/_{4}$% debentures at any time at 100% of the principal amount of the $8^{1}/_{4}$% debentures to be redeemed plus accrued and unpaid interest.

Sinking fund	None.	On each December 15, we are obligated to redeem a principal amount of 7$^1/_4$% of debentures equal to 7$^1/_2$% of the original aggregate principal amount of 7$^1/_4$% debentures issued at 100% of the principal amount thereof plus accrued and unpaid dividends.	None.
Change of control	Upon a change of control, holders of notes have the right to require us to repurchase the notes at 101% of the principal amount thereof plus accrued and unpaid interest to the date of redemption, if any.	None.	None.
Trading	We do not intend to list the notes on any securities exchange.	The 7$^1/_4$% debentures are not listed on any securities exchange.	The 8$^1/_4$% debentures are not listed on any securities exchange.
Events of default	Failure to pay interest for 30 days, failure to pay principal when due, failure to perform a covenant for 30 days after notice, acceleration of any indebtedness in the aggregate in excess of $10,000,000, and events of bankruptcy, insolvency or reorganization.	Failure to pay interest for 30 days, failure to pay principal when due, failure to perform a covenant for 30 days after notice, acceleration of any indebtedness in the aggregate in excess of $5,000,000, and events of bankruptcy, insolvency or reorganization.	Failure to pay interest for 30 days, failure to pay principal when due, failure to perform a covenant for 30 days after notice, acceleration of any indebtedness in the aggregate in excess of $5,000,000, and events of bankruptcy, insolvency or reorganization.

Limitations on dividends and stock purchases	None.	Amount may not exceed the sum of: the aggregate consolidated net income (or net loss) earned on a cumulative basis after May 31, 1996; the aggregate net proceeds from the issue or sale after May 31, 1996 of our capital stock or indebtedness which has been converted into our common stock to anyone other than to a subsidiary; and $20,000,000.	Amount may not exceed the sum of: the aggregate consolidated net income (or net loss) earned on a cumulative basis after May 31, 1996; the aggregate net proceeds from the issue or sale after May 31, 1996 of our capital stock or indebtedness which has been converted into our common stock to anyone other than to a subsidiary; and $30,000,000.
Limitations on mergers	None.	We may not merge into, consolidate with or transfer all or substantially all our assets unless: the corporation with which we are merging is a U.S. corporation which expressly assumes our outstanding obligations under the 7$^1/_4$% indenture; the corporation with which we are merging has a consolidated tangible net worth at least equal to ours; and	We may not merge into, consolidate with or transfer all or substantially all our assets unless: the corporation with which we are merging is a U.S. corporation which expressly assumes our outstanding obligations under the 8$^1/_4$% indenture; the corporation with which we are merging has a consolidated tangible net worth at least equal to ours; and

		after the merger we are not in default under our 7 1/4% indenture.	after the merger we are not in default under our 8 1/4% indenture.
Trustee	J.P. Morgan Trust Company, National Association.	U.S. Bank, N.A.	J.P. Morgan Trust Company, National Association

The Information Agent

The Information Agent for the exchange offer will be Bondholder Communications Group. The address and telephone number of the Information Agent are as follows:

Bondholder Communications Group
30 Broad Street, 46th Floor
New York, New York 10004
Attn: Reba Volt
Telephone: (888) 385-BOND (2663) (Toll Free)
(212) 809-2663

The Exchange Agent

J.P. Morgan Trust Company, National Association will act as Exchange Agent for purposes of processing tenders and withdrawals of outstanding debentures in the exchange offer. The address and telephone number of the Exchange Agent are as follows:

J.P. Morgan Trust Company, National Association
Institutional Trust Services
Attn: Frank Ivins
2001 Bryan Street, 9th Floor
Dallas, Texas 75201
Telephone: (800) 275-2048 (Toll Free)

The Dealer Manager

Jefferies & Company, Inc. will act as the Dealer Manager for the exchange offer. The address and telephone number of the Dealer Manager are as follows:

Jefferies & Company, Inc.
Attn: Hyonwoo Shin
520 Madison Avenue
New York, New York 10022
Telephone: (212) 284-3405

Concurrent Offering

Concurrently with the exchange offer, we are separately offering to sell 3,000,000 shares of our common stock, or 3,450,000 shares of our common stock if the underwriters fully exercise their over-allotment option. If that offering is successfully completed, we intend to use the net proceeds from the sale of our shares of common stock in that offering to redeem some or all of our outstanding debentures which remain outstanding after the expiration of the exchange offer and to repay borrowings under our credit agreement. The concurrent offering is being made by a separate prospectus. Neither offering is contingent upon the closing of the other offering.

Summary Selected Consolidated Financial Information

The following table contains summary selected consolidated financial data for and as of the fiscal years ended May 31, 2001, 2002 and 2003 and for and as of the six months ended November 30, 2002 and November 29, 2003. The summary selected consolidated financial data for and as of the fiscal years ended May 31, 2001, 2002 and 2003 are derived from our audited financial statements contained elsewhere in this prospectus. The summary selected consolidated financial data for and as of the six months ended November 30, 2002 and November 29, 2003 are derived from our unaudited financial statements contained elsewhere in this prospectus and, in our opinion, reflect all adjustments, which are normal recurring adjustments, necessary for a fair presentation. Our results of operations for the six months ended November 29, 2003 may not be indicative of the results that may be expected for the full year. The summary selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes to those consolidated financial statements contained elsewhere in this prospectus. Historical results are not necessarily indicative of results to be expected in the future.

	Fiscal Year Ended May 31(1)			Six Months Ended	
	2001	2002(2)	2003(3)	November 30, 2002	November 29, 2003
	(In thousands, except per share amounts)			(Unaudited)	
Statement of Operations Data:					
Net sales	$ 502,369	$ 443,492	$ 464,517	$ 227,572	$ 247,357
Cost of products sold	370,819	349,326	365,427	171,505	187,300
Gross margin	131,550	94,166	99,090	56,067	60,057
Selling, general and administrative expenses	94,444	94,519	100,749	48,704	51,340
Other expense, net	10,716	17,445	11,484	5,289	4,992
Income (loss) before income taxes	26,390	(17,798)	(13,143)	2,074	3,725
Income tax provision (benefit)	8,656	(6,339)	(3,012)	830	1,128
Income (loss) before cumulative effect of accounting change	17,734	(11,459)	(10,131)	1,244	2,597
Cumulative effect of accounting change, net of tax(4)			17,862	17,862	
Net income (loss)	$ 17,734	$ (11,459)	$ (27,993)	$ (16,618)	$ 2,597
Income (loss) per share basic:					
Before cumulative effect of accounting change	$ 1.33	$ (.84)	$ (.73)	$ .09	$ .19
Cumulative effect of accounting change, net of taxes			(1.30)	(1.30)	
Net income (loss) per share	$ 1.33	$ (.84)	$ (2.03)	$ (1.21)	$ .19
Income (loss) per share diluted:					
Before cumulative effect of accounting change	$ 1.21	$ (.84)	$ (.73)	$ .09	$ .18
Cumulative effect of accounting change, net of taxes			(1.30)	(1.28)	
Net income (loss) per share	$ 1.21	$ (.84)	$ (2.03)	$ (1.19)	$ .18
Dividends per common share(5)	$ .16	$ .16	$ .16	$ .08	$ .08
Weighted-average number of common shares outstanding:(6)					
Basic	13,333	13,617	13,809	13,734	13,952
Diluted	17,568	13,617	13,809	14,004	14,281

	Fiscal Year Ended May 31(1)			Six Months Ended	
Other Data:					
Interest expense	$ 11,146	$ 12,386	$ 10,352	$ 5,123	$ 5,104
Investment income	575	352	124	132	(20)
Depreciation & amortization	5,776	5,875	5,364	2,917	2,834
Capital expenditures	7,883	5,727	6,125	3,224	2,520

	As of May 31(1)			As of	
	2001	2002	2003(3)	November 30, 2002	November 29, 2003
	(In thousands unless otherwise stated)			(Unaudited)	
Balance Sheet Data:					
Cash and cash equivalents	$ 15,946	$ 15,296	$ 16,874	$ 9,570	$ 20,764
Working capital	225,436	186,554	183,859	187,838	180,603
Property, plant and equipment, net	28,753	28,827	31,088	29,345	30,556
Total assets	321,514	286,647	264,931	259,903	271,170
Current maturities of long-term debt	205	38	46	39	54
Long-term debt	155,134	132,218	138,396	136,855	134,784
Stockholders' equity	109,545	99,414	75,631	79,749	79,174

(1) We account for our results of operations on a 52/53 week year, ending the fiscal year on the Saturday nearest May 31 and ending the first six months on the Saturday nearest November 30.

(2) In the third quarter of fiscal 2002, we recorded a $4.6 million loss ($2.9 million, net of tax) related to the disposition of our medical glassware business. In the fourth quarter of fiscal 2002, we recorded a $16.1 million charge ($10.3 million, net of tax) primarily related to inventory obsolescence.

(3) In the fourth quarter of fiscal 2003, we recorded a $16.1 million charge ($10.3 million, net of tax) principally related to inventory write-downs and restructuring charges, including a $1.7 million restructuring charge to selling, general and administrative expenses as we eliminated over 70 positions or approximately 6% of our workforce. In addition, we recorded incremental tax provisions of $1.6 million to establish a valuation allowance related to our deferred tax assets outside the United States.

(4) In the second quarter of fiscal 2003, we adopted SFAS 142 "Goodwill and Other Intangible Assets" and as a result recorded a cumulative effect adjustment of $17.9 million net of tax of $3.7 million to write off impaired goodwill. Additionally, effective at the beginning of fiscal 2003, we no longer amortized goodwill. Income (loss) before taxes included goodwill amortization of $298 in 1999, $368 in 2000, $612 in 2001, and $577 in 2002.

(5) The dividend per class B common share was 90% of the dividend per common share.

(6) The weighted-average number of common shares outstanding includes 3,220, 3,207 and 3,207 class B common shares for the fiscal years ended May 31, 2001, 2002, and 2003, respectively, and 3,207 and 3,205 class B common shares for the six months ended November 30, 2002, and November 29, 2003, respectively.

RATIO OF EARNINGS TO FIXED CHARGES

The following table shows the ratio of our earnings to fixed charges for the periods indicated. We have computed these ratios by dividing earnings available for fixed charges (income before income taxes plus fixed charges) by fixed charges (interest expense plus that portion of rental expenses deemed to represent interest) (Dollars in thousands).

	For the Fiscal Year Ended May 31(1)					For the Six Months Ended	
	1999	2000	2001	2002(2)	2003(3)	November 30, 2002	November 29, 2003
Fixed charges:							
Interest expense	$ 7,689	$ 8,911	$ 11,146	$ 12,386	$ 10,352	$ 5,123	$ 5,104
Estimate of the interest within rental expense	822	965	1,052	1,101	1,191	557	509
Total fixed charges	8,571	9,876	12,198	13,487	11,543	5,680	5,613
Earnings:							
Income (loss) before cumulative effect of accounting change	11,857	18,604	26,390	(17,798)	(13,143)	2,074	3,725
Add Fixed Charges	8,571	9,876	12,198	13,487	11,543	5,680	5,613
Total	$ 20,428	$ 28,480	$ 38,588	$ (4,311)	$ (1,600)	$ 7,754	$ 9,338
Ratio of earnings to fixed charges	2.4	2.9	3.2	(0.3)	(0.1)	1.4	1.7
Dollar amount of the deficiency	$			$ 17,798	$ 13,143		

(1) We account for our results of operations on a 52/53 week year, ending the fiscal year on the Saturday nearest May 31 and ending the first six months on the Saturday nearest November 30.

(2) In the third quarter of fiscal 2002, we recorded a $4.6 million loss ($2.9 million, net of tax) related to the disposition of our medical glassware business. In the fourth quarter of fiscal 2002, we recorded a $16.1 million charge ($10.3 million, net of tax) primarily related to inventory obsolescence.

(3) In the fourth quarter of fiscal 2003, we recorded a $16.1 million charge ($10.3 million, net of tax) principally related to inventory write-downs and restructuring charges, including a $1.7 million restructuring charge to selling, general and administrative expenses as we eliminated over 70 positions or approximately 6% of our workforce. In addition, we recorded incremental tax provisions of $1.6 million to establish a valuation allowance related to our deferred tax assets outside the United States.

The following table shows the ratio of our earnings to fixed charges for the periods indicated:

as adjusted, assuming 75% of the outstanding debentures are tendered and accepted;

as adjusted, assuming 100% of the outstanding debentures are tendered and accepted; and

as adjusted, assuming 100% of the outstanding debentures are tendered and accepted and giving effect to the issuance of 3,000,000 shares of common stock in the concurrent offering and the application of proceeds from that offering based on an assumed public offering price of $13.35 per share (the last reported sale price on March 5, 2004) (Dollars in thousands).

We have computed these ratios by dividing earnings available for fixed charges (income before income taxes plus fixed charges) by fixed charges (interest expense plus that portion of rental expenses deemed to represent interest).

	For the Fiscal Year Ended May 31, 2003			For the Six Months Ended November 29, 2003		
	As adjusted assuming 75% are tendered	As adjusted assuming 100% are tendered	As adjusted assuming 100% are tendered and giving effect to the concurrent offering	As adjusted assuming 75% are tendered	As adjusted assuming 100% are tendered	As adjusted assuming 100% are tendered and giving effect to the concurrent offering
Ratio of earnings to fixed charges						

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RISK FACTORS

You should carefully consider each of the following risks and all of the other information included in this prospectus before deciding to participate in the exchange offer. Some of the following risks relate principally to your participation or failure to participate in the exchange offer. Other risks relate principally to the securities market and ownership of our notes or the common stock into which they are convertible. Other risks relate principally to our business in general and the industry in which we operate.

Risks Relating to the Exchange Offer

If the exchange offer is unsuccessful we may be unable to repay the outstanding debentures at maturity.

It is likely that we will not be able to generate sufficient cash to repay the outstanding debentures at maturity. The working capital requirements of our business result in substantial fluctuations in our cash balances during fiscal quarters. We are unlikely to be able to redeem or repay the outstanding debentures at maturity without depleting our cash balance to a level that would be insufficient to support our business. While we believe we will strengthen our financial position, improve our capital structure, and reduce our cash expenditures by conducting the exchange offer, we may not be successful. If the exchange offer is unsuccessful and we are unable to repay the outstanding debentures at maturity, an event of default would result under the indenture governing the notes.

If you do not tender your outstanding debentures, we intend to redeem some or all of the outstanding debentures at par value.

Concurrently with the exchange offer, we are separately offering to sell 3,000,000 shares of common stock or 3,450,000 shares of common stock if the underwriters fully exercise their over-allotment option. Among other uses, we intend to use the net proceeds from the sale of common stock in that offering to redeem some or all of our outstanding debentures which remain outstanding after the exchange offer. Pursuant to the terms of the outstanding debentures, we may redeem the outstanding debentures at any time at 100% of the principal amount of the outstanding debentures to be redeemed.

If you do not tender your outstanding debentures, the outstanding debentures you retain are expected to become less liquid as a result of the exchange offer.

If the exchange offer is completed successfully, the liquidity of the markets for outstanding debentures remaining after the completion of the exchange offer will be substantially reduced. The reduced float of the outstanding debentures after the consummation of the exchange offer may cause the market price of the outstanding debentures to decline and their trading price to be more volatile.

We have not obtained a third-party determination that the exchange offer is fair to holders of the outstanding debentures.

The exchange offer has been approved by our board of directors. However, our board of directors is not making a recommendation as to whether you should exchange your outstanding debentures for notes. Further, we have not retained and do not intend to retain any unaffiliated representative to act solely on behalf of the holders for purposes of negotiating the terms of the exchange offer and/or preparing a report concerning the fairness of the exchange offer. We cannot assure holders of the outstanding debentures that the value of the notes will equal or exceed the value of the outstanding debentures, and we do not take a position or make a recommendation as to whether you ought to participate in the exchange offer or how you should choose between tendering $7^{1}/_{4}$% debentures and $8^{1}/_{4}$% debentures.

The exchange offer may not receive the tax treatment we expect.

We believe that the exchange of outstanding debentures for notes should be treated as a tax-free recapitalization for United States federal income tax purposes. The matter is not free from doubt, however, and the exchange could be treated as a taxable event. If the exchange of outstanding debentures for notes failed to qualify as a tax-free recapitalization, a United States holder would recognize gain or loss equal to the difference, if any, between the amount realized in the exchange and the holder's tax basis in the outstanding debentures.

The notes will be treated as issued with original issue discount for United States federal income tax purposes if their stated redemption price at maturity exceeds their issue price (determined in accordance with certain special rules) by more than a statutory *de minimis* amount. If that is the case, United States holders will generally be required to include original issue discount on the notes in income for United States federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest, even if they have not yet received cash payments attributable to such income. Please see "Material United States Federal Income Tax Consequences."

Risks Related to Owning Notes or Our Common Stock

Your right to receive payment on the notes is subordinate to amounts outstanding under our credit agreement and any senior indebtedness we may incur in the future.

The notes are subordinate to amounts outstanding under our credit agreement. As of November 29, 2003, the aggregate amount of our senior indebtedness was $64,012,345. In addition, the terms of the notes do not limit the amount of additional senior indebtedness we can create, incur, assume or guarantee in the future. Upon any distribution of our assets upon any insolvency, dissolution or reorganization, the payment of principal and interest on our senior indebtedness will have priority over the payment of principal and interest on the notes. There may not be sufficient assets remaining to pay amounts due on any or all of the notes after we have made payment of principal and interest on the senior indebtedness.

In addition, the notes are structurally subordinate to any indebtedness of our subsidiaries. Any right of ours to receive assets of any of our subsidiaries upon its insolvency, dissolution or reorganization and the dependant right of holders of our notes to have rights in those assets, will be subject to the prior claim of any creditors of that subsidiary. As of November 29, 2003, our subsidiaries had $16,289,578 of indebtedness, excluding indebtedness that is also Senior Indebtedness.

Our credit agreement imposes significant operating and financial restrictions that may prevent us from redeeming the notes.

Upon a change in control, the indenture for the notes requires us to redeem all notes tendered for redemption. We cannot assure you that we will be able to redeem the notes as required. Our credit agreement imposes significant operating and financial restrictions on us. These restrictions include limitations on our ability to redeem outstanding debt that is subordinate to borrowings under the credit agreement. As a result of these restrictions, we may not be able to redeem our notes without being in default under our credit agreement.

Your ability to sell the notes may be limited by the absence of an active trading market.

Currently, there is no public market for the notes. The liquidity of the trading market for the notes will depend largely on the level of participation in the exchange offer. We do not presently intend to apply for the listing of the notes on any securities exchange or for inclusion in the automated quotation system of the National Association of Securities Dealers, Inc. An issue of securities with a smaller float may be more volatile in price than a comparable issue of securities with a greater float. Thus, if a disproportionately large percentage of holders of the outstanding debentures choose not to exchange their outstanding debentures, the liquidation and price of the notes may be adversely affected. Accordingly, we cannot assure you as to:

- the depth and liquidity of any trading market for our notes that may develop;
- your ability to sell the notes; or
- the price at which you would be able to sell the notes.

If a trading market does develop, the notes could trade at prices that may be higher or lower that the principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar debt securities, our financial performance and our stock price. No one is obligated to make a market in the notes. In addition, any market making activities will be subject to the limits imposed by the Securities Act and the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act."

We may be unable to generate sufficient cash flow from which to make payments on the notes.

Our ability to pay interest on the notes depends on our ability to generate sufficient cash flow. We cannot assure you that we will be able to generate sufficient cash flow to service the notes and our existing indebtedness. In addition, at maturity the aggregate principal amount will become due and payable. At maturity, we may not have sufficient funds to pay the aggregate principal amount of the notes then outstanding. If we do not have sufficient funds and cannot arrange for additional financing, we will be unable to pay our obligations under the notes and will default under the indenture. Any default on the notes constitutes a default under the credit agreement, resulting in an acceleration of the repayment obligations for amounts borrowed under that agreement. If an acceleration of the credit agreement repayment obligations occurs, that indebtedness would be repaid prior to any repayment of amounts owed on the notes, see the risk factor above under the heading "Your right to receive payment on the notes is subordinate to amounts outstanding under our credit agreement and any senior indebtedness we may incur in the future."

The notes may not be rated or may receive a rating that is lower than expected.

We believe that it is unlikely that the notes will be rated. However, if one or more rating agencies rate the notes and assign the notes a rating lower than the rating expected by investors, or reduce the rating of the notes in the future, the market price of the notes may decline.

We are controlled by Mr. Richardson, and his interests may differ from ours and the interests of our other securityholders.

Mr. Richardson, our chairman of the board of directors and chief executive officer, controlled approximately 74% of the voting power of our common stock as of February 10, 2004. Because of his voting power, Mr. Richardson has the ability to elect our board of directors and to control any merger, consolidation or sale of all or substantially all of our assets. This control could prevent or discourage any unsolicited acquisition of us and consequently could prevent an acquisition favorable to other stockholders. Mr. Richardson may consider not only the short-term and long-term impact of operating decisions on us, but also the impact of such decisions on himself.

Future sales of shares of our common stock may depress the price of our common stock.

Our board of directors has the authority, without action or the vote of our stockholders, to issue any or all authorized but unissued shares of our common stock, including securities convertible into or exchangeable for our common stock, and authorized but unissued shares under our stock option and other equity incentive plans. Any issuance of this kind will dilute the ownership percentage of

stockholders and may dilute the per share book value of the common stock. At February 10, 2004, we had 17,512,954 authorized but unissued shares of common stock and 1,484,111 shares of treasury stock.

Further, if certain of our stockholders sell a substantial number of shares of our common stock or investors become concerned that substantial sales might occur, the market price of our common stock could decrease.

The market price of our common stock has fluctuated significantly and may continue to do so.

The market price of our common stock may fluctuate significantly due to a variety of factors, most of which are outside of our control. Some of these factors include:

- announcements of technological innovations, new products or upgrades to existing products by us or our competitors;
- market conditions in the electronic component industries;
- technological developments affecting our inventory;
- changes in our relationships with our customers or vendors;
- the size of the public float of our common stock;
- announcements of operating results that are not aligned with the expectations of investors; and
- general stock market trends.

Limited trading volume of our common stock may contribute to price volatility.

Our common stock is traded on The Nasdaq National Market. During the twelve months ended February 27, 2004, the average daily trading volume for our common stock as reported by The Nasdaq National Market was 35,572 shares. A more active trading market in our common stock may not develop. As a result, relatively small trades may have a significant impact on the price of our common stock.

We may reduce or discontinue paying dividends in the future.

Our ability to pay dividends in the future depends on our ability to operate profitably and to generate cash from our operations in excess of our debt service obligations. Our board of directors has discretion to reduce or discontinue paying dividends if they decide to utilize the cash for other corporate purposes. In addition, our credit agreement and the indentures governing our outstanding debentures contain restrictions on the payment of cash dividends. We cannot guarantee that we will continue to pay dividends at their historical level or at all.

We have anti-takeover defenses that could delay or prevent an acquisition and could adversely affect the price of our common stock.

Provisions in our certificate of incorporation and by-laws and provisions of Delaware law could delay, defer or prevent an acquisition or change of control of us or otherwise adversely affect the price of our common stock. Our by-laws limit the ability of stockholders to call a special meeting. Delaware law also contains certain provisions that may have an anti-takeover effect and otherwise discourage third parties from effecting transactions with us. See "Description of Our Capital Stock."

Risks Related to Our Business

We have had significant operating and net losses in the past and may have future losses.

We reported net losses of approximately $11.5 million in fiscal 2002 and $28.0 million in fiscal 2003 and we cannot assure you that we will not experience operating losses and net losses in the future. We may continue to lose money if our sales do not continue to increase. We cannot predict the extent to which sales will continue to increase across our businesses or how quickly our customers will consume their inventories of our products.

We maintain a significant investment in inventory and have recently incurred significant charges for inventory obsolescence and overstock, and may incur similar charges in the future.

We maintain significant inventories in an effort to ensure that customers have a reliable source of supply. The market for many of our products is characterized by rapid change as a result of the development of new technologies, particularly in the semiconductor markets served by our RF & Wireless Communications Group, evolving industry standards, and frequent new product introductions by some of our customers.

We do not have many long term supply contracts with our customers. Generally, our product sales are made on a purchase-order, basis which permits our customers to reduce or discontinue their future purchases. If we fail to anticipate the changing needs of our customers and accurately forecast their requirements, our customers may not continue to place orders with us and we may accumulate significant inventories of products which we will be unable to sell or return to our vendors, or which may decline in value substantially.

In fiscal 2002, we recorded a pre-tax provision for inventory obsolescence and overstock of $15.3 million, or $9.8 million net of tax, due to an industry wide decline in sales, a prolonged recovery period, and changes in our mix of business toward higher technology products, particularly in the telecommunications market. In fiscal 2003, we recorded an additional pre-tax provision of $13.8 million, or $8.8 million net of tax, primarily for inventory obsolescence, overstock, and shrinkage, to write down inventory to net realizable value as we sought to align our inventory and cost structure to then current sales levels amid continued economic slowdown and limited visibility. We cannot assure you that we will not incur similar charges in the future.

Because we derive a significant portion of our revenue by distributing products designed and manufactured by third parties, we may be unable to anticipate changes in the marketplace and, as a result, could lose market share.

Our business is driven primarily by customers' needs and demands for new products and/or enhanced performance, and by the products developed and manufactured by third parties. Because we distribute products developed and manufactured by third parties, our business would be adversely affected if our suppliers fail to anticipate which products or technologies will gain market acceptance or if we cannot sell these products at competitive prices. We cannot be certain that our suppliers will permit us to distribute their newly developed products, or that such products will meet our customers' needs and demands. Additionally, because some of our principal competitors design and manufacture new technology, those competitors may have a competitive advantage over us. To successfully compete, we must maintain an efficient cost structure, an effective sales and marketing team and offer additional services that distinguish us from our competitors. Failure to execute these strategies successfully could harm our results of operations.

We have exposure to economic downturns and operate in cyclical markets.

As a supplier of electronic components and services to a variety of industries, we are adversely affected by general economic downturns. In particular, demand for the products and services of our RF & Wireless Communications Group is dependent upon capital spending levels in the

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telecommunications industry and demand for products and services of our Industrial Power Group is dependent upon spending levels in the manufacturing industry, including steel, automotive, textiles, plastics, and semiconductors, as well as the transportation industry. Many of our customers delay capital projects during economic downturns. Accordingly, our operating results for any particular period are not necessarily indicative of the operating results for any future period. The markets served by our businesses have historically experienced downturns in demand that could harm our operating results. Future economic downturns could be triggered by a variety of causes, including outbreaks of hostilities, terrorist actions, or epidemics in the United States or abroad.

We have significant debt, which could limit our financial resources and ability to compete and may make us more vulnerable to adverse economic events.

As of November 29, 2003, our total long-term debt was approximately $134 million, including our outstanding debentures. We have incurred and will likely continue to incur indebtedness to fund potential future acquisitions, for strategic initiatives and for general corporate purposes. Although we believe that the cash flow generated by our continuing operations is sufficient to meet our repayment obligations over the next 12 months, we cannot assure you that this will be the case. Our incurrence of additional indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, research and development efforts and other general corporate purposes, as well as to pay dividends;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage relative to our competitors who have less debt; or

limit, along with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds which could affect our ability to make future acquisitions, among other things.

Our ability to service our debt and meet our other obligations depends on a number of factors beyond our control.

Our ability to service our debt and meet our other obligations as they come due is dependent on our future financial and operating performance. This performance is subject to various factors, including factors beyond our control such as changes in global and regional economic conditions, changes in our industry or the end markets for our products, changes in interest or currency exchange rates, inflation in raw materials, energy and other costs.

If our cash flow and capital resources are insufficient to enable us to service our debt and meet these obligations as they become due, we could be forced to:

- reduce or delay capital expenditures;
- sell assets or businesses;
- limit or discontinue, temporarily or permanently, business plans or operations;
- obtain additional debt or equity financing; or
- restructure or refinance debt.

We cannot assure you as to the timing of these actions or the amount of proceeds that could be realized from them. Accordingly, we cannot assure you that we will be able to meet our debt service and other obligations as they become due or otherwise.

If Mr. Richardson's voting power is insufficient for him to elect a majority of our board of directors, we would be in default under our credit agreement.

We would be in default under our credit agreement if the level of Mr. Richardson's voting power is less than 51% and therefore not sufficient for him to elect a majority of our board of directors and control any amendment to our by-laws. Mr. Richardson's voting power could be reduced below 51% under a number of scenarios, including our issuance of additional shares of voting stock or the death of Mr. Richardson. Upon such a default, the lenders may declare amounts borrowed under the credit agreement to be immediately due and payable, which in turn would cause a default and acceleration of payment of the notes. Our business and financial condition could be significantly harmed if such a default occurs.

Our success is and will continue to depend on our executive officers and other key personnel.

Our future success depends to a significant degree on the skills, experience and efforts of our executive officers and other key personnel. The loss of the services of any of our executive officers, particularly Edward J. Richardson, our chairman of the board and chief executive officer, and Bruce W. Johnson, our president and chief operating officer, could significantly harm our business and results of operations. In addition, we would be in default under our credit agreement if the level of Mr. Richardson's voting power is less than 51% and therefore is not sufficient for him to elect a majority of our board of directors and control any amendment to our by-laws.

Our future success will also depend on our ability to attract and retain qualified personnel, including technical and engineering personnel. Competition for such personnel is intense and we cannot assure you that we will be successful in retaining or attracting such persons. The failure to attract and retain qualified personnel could significantly harm our operations.

Our credit agreement and the indentures for our outstanding debentures impose restrictions with respect to various business matters.

Our credit agreement contains numerous restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, our ability to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make other payments in respect of our shares of common stock and Class B common stock, to engage in transactions with affiliates, to make certain payments and investments, to merge or consolidate with another entity, and to repay indebtedness junior to indebtedness under the credit agreement. The credit agreement also contains a number of financial covenants that require us to meet certain financial ratios and tests relating to, among other things, tangible net worth, a borrowing base, senior funded debt to cash flow, and annual debt service coverage. In addition, the indentures for our outstanding debentures contain covenants that limit, among other things, our ability to pay dividends or make other payments in respect of our shares of common stock and Class B common stock and merge or consolidate with another entity. If we fail to comply with the obligations in the credit agreement and indentures, it could result in an event of default under those agreements. If an event of default occurs and is not cured or waived, it could result in acceleration of the indebtedness under those agreements, any of which could significantly harm our business and financial condition.

We face intense competition in the markets we serve and, if we do not compete effectively, we could significantly harm our operating results.

We face substantial competition in our markets. We face competition from hundreds of electronic component distributors of various sizes, locations, and market focuses as well as original equipment manufacturers, in each case for new products and replacement parts. Some of our competitors have significantly greater resources and broader name recognition than us. As a result, these competitors may be better able to withstand changing conditions within our markets and throughout the economy as a whole. In addition, new competitors could enter our markets.

Engineering capability, vendor representation and product diversity create segmentation among distributors. Our ability to compete successfully will depend on our ability to provide engineered solutions, maintain inventory availability and quality, and provide reliable delivery at competitive prices.

To the extent we do not keep pace with technological advances or fail to timely respond to changes in competitive factors in our industry, we could lose market share or experience a decline in our revenue and net income. In addition, gross margins in the businesses in which we compete have declined in recent years due to competitive pressures and may continue to decline.

We may not be able to continue to make the acquisitions necessary for us to realize our growth strategy or integrate acquisitions successfully.

One of our growth strategies is to increase our sales and expand our markets through acquisitions. Since 1980, we have acquired 34 companies or significant product lines and we expect to continue making acquisitions if appropriate opportunities arise in our industry. We may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms or otherwise complete future acquisitions. Furthermore, we may compete for acquisition and expansion opportunities with companies that have substantially greater resources than us.

Following acquisitions, our acquired companies may encounter unforeseen operating difficulties and may require significant financial and managerial resources that would otherwise be available for the ongoing development or expansion of our existing operations. If we are unable to successfully identify acquisition candidates, complete acquisitions, and integrate the acquired businesses with our existing businesses, our business, results of operations and financial condition may be materially and adversely affected and we may not be able to compete effectively within our industry.

If we do not continue to reduce our costs, we may not be able to compete effectively in our markets.

The success of our business depends, in part, on our continuous reduction of costs. The electronic component industries have historically experienced price erosion and will likely continue to experience such price erosion. If we are not able to reduce our costs sufficiently to offset future price erosion, our operating results will be adversely affected. We have recently engaged in various cost-cutting and other initiatives intended to reduce costs and increase productivity. In fiscal 2003, we recorded a $1.7 million restructuring charge as we eliminated over 70 positions or approximately 6% of our workforce. We cannot assure you that we will be able to continue to reduce our costs.

Our Industrial Power Group is dependent on a limited number of vendors to supply us with essential products.

Electron tubes and certain other products supplied by our Industrial Power Group are currently produced by a relatively small number of manufacturers. Our future success will depend, in large part, on maintaining current vendor relationships and developing new relationships. We believe that vendors supplying products to some of the product lines of our Industrial Power Group are consolidating their distribution relationships or exiting the business. The three largest suppliers to the Industrial Power Group by percentage of overall Industrial Power Group purchases in fiscal 2003 were

Communications & Power Industries, Inc., Covimag S.A., and Powerex Inc. These suppliers accounted for approximately 55% of the overall Industrial Power Group purchases in fiscal 2003. The loss of one or more of our key vendors and the failure to find new vendors could significantly harm our business and results of operations. We have in the past and may in the future experience difficulties obtaining certain products in a timely manner. The inability of suppliers to provide us with the required quantity or quality of products could significantly harm our business.

Economic, political and other risks associated with international sales and operations could adversely affect our business.

In fiscal 2003, approximately 56.9% of our sales and 28.4% of our purchases of products were made internationally. We anticipate that we will continue to expand our international operations to the extent that suitable opportunities become available. Accordingly, our future results of operations could be harmed by a variety of factors which are not present for companies with operations and sales solely within the United States, including:

- changes in a specific country's or region's political or economic conditions, particularly in emerging markets, including the possibility of military action or other hostilities and confiscation of property;
- increases in trade protection measures and import or export licensing requirements;
- changes in tax laws and international tax treaties;
- restrictions on our ability to repatriate investments and earnings from foreign operations;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;
- differing levels of protection of intellectual property;
- changes in regulatory requirements;
- shipping costs and delays; or
- difficulties in accounts receivable collection.

If any of these risks materialize, we could face substantial increases in costs, the reduction of profit, and the inability to do business.

We are exposed to foreign currency risk.

We expect that international sales will continue to represent a significant percentage of our total sales, which expose us to currency exchange rate fluctuations. Since the revenues and expenses of our foreign operations are generally denominated in local currencies, exchange rate fluctuations between local currencies and the U.S. dollar subject us to currency exchange risks with respect to the results of our foreign operations to the extent we are unable to denominate our purchases or sales in U.S. dollars or otherwise shift to our customers or suppliers the risk of currency exchange rate fluctuations. We currently do not engage in any significant currency hedging transactions. Fluctuations in exchange rates may affect the results of our international operations reported in U.S. dollars and the value of such operations' net assets reported in U.S. dollars. Additionally, our competitive position may be affected by the relative strength of the currencies in countries where our products are sold. We cannot predict whether foreign currency exchange risks inherent in doing business in foreign countries will have a material adverse effect on our operations and financial results in the future.

Because we generally do not have long-term contracts with our vendors, we may experience shortages of products that could harm our business and customer relationships.

We generally do not have long-term contracts or arrangements with any of our vendors that guarantee product availability. We cannot assure you that our vendors will meet our future requirements for timely delivery of products of sufficient quality or quantity. Any difficulties in the delivery of products could harm our relationships with customers and cause us to lose orders that could result in a material decrease in our revenues. Further, we compete against certain of our vendors and our relationship with those vendors could be harmed as a result of this competition.

The recent outbreak of severe acute respiratory syndrome, or SARS, or any other disease epidemic, may adversely affect our business, financial condition and results of operations.

The outbreak of highly infectious epidemics in Asia/Pacific, including SARS and avian influenza, commonly known as Asian bird flu, and concerns over its spread in Asia/Pacific and elsewhere could have a negative impact on commerce, travel, and general economic and industry conditions. Asia/Pacific represented 16.8% of our revenue in fiscal 2003 and we believe a significant percentage of our product purchases comes directly or indirectly from Asia/Pacific. Given the importance of the Asia/Pacific market to our business, we may be more exposed to this risk than the global economy generally. For example, the SARS outbreak could result in quarantines or closures of our or our customers' or suppliers' facilities in Asia/Pacific. The SARS outbreak may also adversely impact our ability to purchase goods from suppliers in Asia/Pacific. As a result of the SARS outbreak, or any other disease epidemic, our business, financial condition, and results of operations could be materially adversely affected.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this prospectus are statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "expect," "estimate," "anticipate," "predict," "believe" and similar expressions and variations thereof are intended to identify forward-looking statements. Forward-looking statements appear in a number of places and include statements regarding our intent, belief or current expectations with respect to, among other things:

- trends affecting our financial condition or results of operations;
- our financing plans;
- our business and growth strategies, including potential acquisitions; and
- other plans and objectives for future operations.

You are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those predicted in the forward-looking statements or that may be anticipated from historical results or trends. In addition to the information contained in our other filings with the SEC, factors that could affect future performance include, among others, those set forth under the heading "Risk Factors."

We operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all the risk factors, nor can it assess the impact of all the risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this prospectus, as a prediction of actual results.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements above. You should not place undue reliance on those statements, which speak only as of the date on which they are made. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

You should also be aware that while we do, from time to time, communicate with securities analysts, it is against our policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, you should not assume that we agree with any statement or report issued by any analyst irrespective of the content of the statement or report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, those reports are not our responsibility.

MARKET AND MARKET PRICES

Our common stock is traded on The Nasdaq National Market under the trading symbol "RELL." The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported on The Nasdaq National Market.

	High	Low
Fiscal Ended May 31, 2002		
First Quarter	$ 14.96	$ 9.52
Second Quarter	$ 12.50	$ 6.36
Third Quarter	$ 12.49	$ 11.00
Fourth Quarter	$ 13.16	$ 10.59
Fiscal Year Ended May 31, 2003		
First Quarter	$ 11.45	$ 8.11
Second Quarter	$ 9.00	$ 5.60
Third Quarter	$ 9.19	$ 7.14
Fourth Quarter	$ 9.33	$ 7.41
Fiscal Year Ended May 31, 2004		
First Quarter	$ 10.79	$ 7.83
Second Quarter	$ 12.57	$ 9.65
Third Quarter	$ 14.00	$ 10.00
Fourth Quarter (through March 5, 2004)	$ 14.08	$ 13.25

The notes will not be listed on The Nasdaq National Market or any other securities exchange.

Our common stock is quoted on The Nasdaq National Market under the symbol "RELL." On March 5, 2004, the last reported sale price of our common stock on The Nasdaq National Market was $13.35 per share. As of February 10, 2004 there were approximately 943 stockholders of record of our common stock and approximately 22 stockholders of record of our Class B common stock.

DIVIDEND POLICY

We have paid quarterly dividends of $.04 per share of common stock, and $.036 per share of Class B common stock since 1988. All future payment of dividends are at the discretion of our board of directors and will depend on our earnings, capital requirements, operating conditions, and such other factors that the board of directors may deem relevant.

Pursuant to the indentures governing our outstanding debentures, we are prohibited from paying a dividend if we are in default under either of these indentures or if the payment of a dividend would exceed the sum of our consolidated net income since May 31, 1996 plus the net proceeds from the sale of shares of our common stock and indebtedness which has been converted into shares of our common stock since May 31, 1996 plus $30.0 million in the case of the indenture for our 8 1/4% debentures and $20.0 million in the case of the indenture for our 7 1/4% debentures. Pursuant to our credit agreement, we are prohibited from paying dividends in excess of an annualized rate of $0.16 per share of common stock and $0.144 per share of Class B common stock. In addition, the credit agreement prohibits our subsidiaries, other than wholly owned subsidiaries, from paying dividends. Pursuant to the indenture governing the notes, the conversion price of the notes will be adjusted if we pay dividends in excess of an annualized rate of $0.16 per share of common stock.

CAPITALIZATION

We present in the table below the capitalization of our company and our subsidiaries:

on an actual consolidated basis as of November 29, 2003;

as adjusted to give effect to the exchange offer assuming 75% of the outstanding debentures are tendered and accepted;

as adjusted to give effect to the exchange offer, assuming 100% of the outstanding debentures are tendered and accepted; and

as adjusted to give effect to the exchange offer, assuming 100% of the outstanding debentures are tendered and accepted, and giving effect to the concurrent offering and the application of proceeds from that offering, based on an assumed public offering price of $13.35 per share (the last reported sale price on March 5, 2004).

You should read this information in conjunction with the information under "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and our consolidated financial statements and related notes beginning on page F-1.

	As of November 29, 2003			
	Actual	As adjusted assuming 75% are tendered	As adjusted assuming 100% are tendered	As adjusted assuming 100% are tendered and giving effect to the concurrent offering
	(In thousands, except per share amounts)			
Cash and cash equivalents	$ 20,764	$ 20,764	$ 20,764	$ 20,764
Long-term debt:				
Bank credit facility	62,924	62,924	63,892	26,565
Notes		53,119	70,825	70,825
Other debt (derivatives and capital leases)(1)	1,034	1,034	1,034	1,034
Outstanding debentures	70,825	18,496		
Total long-term debt	$ 134,783	$ 135,573	$ 135,751	$ $98,424
Stockholders' equity:				
Common stock ($.05 par value; issued 12,396 shares)	620	620	620	770
Class B common stock, convertible ($.05 par value; issued 3,201 shares)	160	160	160	160
Preferred stock ($1.00 par value; no shares issued)				
Additional paid-in capital	93,138	93,138	93,138	130,320
Common stock in treasury, at cost (1,505 shares)	(8,920)	(8,920)	(8,920)	(8,920)
Retained earnings(2)	7,581	7,466	7,428	7,428
Unearned compensation	(355)	(355)	(355)	(355)
Accumulated other comprehensive loss	(13,050)	(13,050)	(13,050)	(13,050)
Total stockholders' equity	$ 79,174	$ 79,059	$ 79,021	$ 116,353

	As of November 29, 2003			
Total capitalization	$ 213,957	$ 214,632	$ 214,775	$ 214,777

(1) Includes $985 for interest rate swaps ending on July 1, 2004 and $49 for capitalized leases.

(2) Adjusted figures include up to $153 accelerated amortization of deferred financing costs associated with redeeming outstanding debentures.

The number of outstanding shares of our common stock as of November 29, 2003 excludes:

- 2,526 shares reserved for issuance under our existing stock incentive plans, including 1,538 shares issuable upon exercise of options outstanding as of that date at a weighted average exercise price of $9.39 per share;
- 116 shares reserved for issuance under our employee stock purchase plan; and
- 3,681 shares reserved for issuance upon conversion of our outstanding debentures.

ACCOUNTING TREATMENT

Following the completion of the exchange offer, we will account for the transaction as the extinguishment of old debt and creation of new debt subject to verification that the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the old debt. We estimate that a loss of approximately $92,000, net of tax of $47,000, will be recognized, representing unamortized deferred financing costs associated with the outstanding debentures.

USE OF PROCEEDS

We will not receive any cash proceeds from the exchange offer. You will receive, in exchange for outstanding debentures tendered by you and accepted by us in the exchange offer, notes in the same principal amount. The outstanding debentures surrendered in exchange for the notes will be retired and cancelled and cannot be reissued. Accordingly, the issuance of the notes in the exchange offer will not result in an increase of our outstanding debt. Concurrently with the exchange offer, we are separately offering to sell 3,000,000 shares of our common stock or 3,450,000 shares of common stock if the underwriters fully exercise their over-allotment option. See "Concurrent Offering." The concurrent offering is being made by a separate prospectus. Neither offering is contingent upon the closing of the other offering.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table contains selected consolidated financial data for and as of the fiscal years ended May 31, 1999, 2000, 2001, 2002 and 2003 and for and as of the six months ended November 30, 2002 and November 29, 2003. The selected consolidated financial data for and as of the fiscal years ended May 31, 1999, 2000, 2001, 2002 and 2003 are derived from our audited financial statements contained elsewhere in this prospectus. The selected consolidated financial data for and as of the six months ended November 30, 2002 and November 29, 2003 are derived from our unaudited financial statements contained elsewhere in this prospectus and, in our opinion, reflect all adjustments, which are normal recurring adjustments, necessary for a fair presentation. Our results of operations for the six months ended November 29, 2003 may not be indicative of the results that may be expected for the full year. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes to those consolidated financial statements contained elsewhere in this prospectus. Historical results are not necessarily indicative of results to be expected in the future.

	Fiscal Year Ended May 31(1)					Six Months Ended	
	1999	2000	2001	2002(2)	2003(3)	November 30, 2002	November 29, 2003
	(In thousands, except per share amounts)					(Unaudited)	
Statement of Operations Data:							
Net sales	$ 323,959	$ 410,468	$ 502,369	$ 443,492	$ 464,517	$ 227,572	$ 247,357
Costs of products sold	233,644	301,561	370,819	349,326	365,427	171,505	187,300
Gross margin	90,315	108,907	131,550	94,166	99,090	56,067	60,057
Selling, general and administrative expenses	71,572	82,464	94,444	94,519	100,749	48,704	51,340
Other expense, net	6,886	7,839	10,716	17,445	11,484	5,289	4,992
Income (loss) before income taxes	11,857	18,604	26,390	(17,798)	(13,143)	2,074	3,725
Income tax provision (benefit)	3,505	5,500	8,656	(6,339)	(3,012)	830	1,128
Income (loss) before cumulative effect of accounting change	8,352	13,104	17,734	(11,459)	(10,131)	1,244	2,597
Cumulative effect of accounting change, net of tax(4)					17,862	17,862	
Net income (loss)	$ 8,352	$ 13,104	$ 17,734	$ (11,459)	$ (27,993)	$ (16,618)	$ 2,597
Income (loss) per share basic:							
Before cumulative effect of accounting change	$ .60	$ 1.03	$ 1.33	$ (.84)	$ (.73)	$ .09	$ .19
Cumulative effect of accounting change, net of taxes					(1.30)	(1.30)	
Net income (loss) per share	$ .60	$ 1.03	$ 1.33	$ (.84)	$ (2.03)	$ (1.21)	$ .19
Income (loss) per share diluted:							
Before cumulative effect of accounting change	$ .60	$ 1.00	$ 1.21	$ (.84)	$ (.73)	$ .09	$ .18
Cumulative effect of accounting change, net of taxes					(1.30)	(1.28)	
Net income (loss) per share	$ .60	$ 1.00	$ 1.21	$ (.84)	$ (2.03)	$ (1.19)	$ .18
Dividends per common share(5)	$ .16	$ .16	$ .16	$ .16	$ .16	$ .08	$ .08
Weighted-average number of common shares outstanding:(6)							
Basic	13,882	12,684	13,333	13,617	13,809	13,734	13,952
Diluted	14,026	16,580	17,568	13,617	13,809	14,004	14,281
Other Data:							
Interest expense	7,869	8,911	11,146	12,386	10,352	5,123	5,104
Investment income	636	1,032	575	352	124	132	(20)
Depreciation & amortization	4,238	5,159	5,776	5,875	5,364	2,917	2,834

						Six Months Ended	
Capital expenditures	7,647	7,026	7,883	5,727	6,125	3,224	2,520

	As of May 31(1)					As of	
	1999	2000	2001	2002	2003	November 30, 2002	November 29, 2003
	(In thousands unless otherwise stated)					(Unaudited)	
Balance Sheet Data:							
Cash and cash equivalents	$ 12,569	$ 11,832	$ 15,946	$ 15,296	$ 16,874	$ 9,570	$ 20,764
Working capital	161,640	174,270	225,436	186,554	183,859	187,838	180,603
Property, plant and equipment, net	23,047	25,851	28,753	28,827	31,088	29,345	30,556
Total assets	235,678	264,925	321,514	286,647	264,931	259,903	271,170
Current maturities of long-term debt	1,830	2,619	205	38	46	39	54
Long-term debt	113,658	117,643	155,134	132,218	138,396	136,855	134,784
Stockholders' equity	84,304	93,993	109,545	99,414	75,631	79,749	79,174

(1) We account for our results of operations on a 52/53 week year, ending the fiscal year on the Saturday nearest May 31 and ending the first six months on the Saturday nearest November 30.

(2) In the third quarter of fiscal 2002, we recorded a $4.6 million loss ($2.9 million, net of tax) related to the disposition of our medical glassware business. In the fourth quarter of fiscal 2002, we recorded a $16.1 million charge ($10.3 million, net of tax) primarily related to inventory obsolescence.

(3) In the fourth quarter of fiscal 2003, we recorded a $16.1 million charge ($10.3 million, net of tax) principally related to inventory write-downs and restructuring charges, including a $1.7 million restructuring charge to selling, general and administrative expenses as we eliminated over 70 positions or approximately 6% of our workforce. In addition, we recorded incremental tax provisions of $1.6 million to establish a valuation allowance related to our deferred tax assets outside the United States.

(4) In the second quarter of fiscal 2003, we adopted SFAS 142 "Goodwill and Other Intangible Assets" and as a result recorded a cumulative effect adjustment of $17.9 million, net of tax of $3.7 million, to write off impaired goodwill. Additionally, effective at the beginning of fiscal 2003, we no longer amortized goodwill. Income (loss) before taxes included goodwill amortization of $298 in 1999, $368 in 2000, $612 in 2001, and $577 in 2002.

(5) The dividend per class B common share was 90% of the dividend per common share.

(6) The weighted-average number of common shares outstanding includes 3,236, 3,233, 3,220, 3,207 and 3,207 class B common shares for the fiscal years ended May 31, 1999, 2000, 2001, 2002, and 2003, respectively, and 3,207 and 3,205 class B common shares for the six months ended November 30, 2002, and 2003, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto.

Overview

We reached record sales of $502.4 million in fiscal 2001. The severe recession in the electronics industry following fiscal 2001 resulted in a 11.7% sales decline for us to $443.5 million in fiscal 2002. In fiscal 2003, our growth resumed as sales were up 4.7% to $464.5 million as all four of our strategic business units increased sales from the prior year. During the six months ended November 29, 2003, we increased sales by 8.7% from a year ago to $247.4 million. Financial results for our last fiscal quarter ended November 29, 2003 marked the sixth consecutive quarter of year-over-year aggregate sales growth and the fourth consecutive quarter of sales increases across all strategic business units.

In the first six months of fiscal 2004, net income before cumulative effect of accounting change more than doubled from $1.2 million or $0.09 per share in the prior year to $2.6 million or $0.19 per share primarily driven by the sales increase and our selling, general and administrative expenses reduction to 20.8% as a percentage of sales from 21.4% for the first six months of the prior fiscal year and partially offset by 30 basis point gross margin deterioration. The net loss for fiscal 2003 was $28.0 million as we recorded, net of tax, $8.8 million inventory obsolescence and overstock provision and $17.9 million goodwill impairment charge. In fiscal 2002, we recorded a net loss of $11.5 million including, after tax, inventory provision of $9.8 million and charges related to the medical glassware business disposition of $2.9 million. In fiscal 2001, we posted a record net income of $17.7 million.

We strengthened our balance sheet during the six-month period ended November 29, 2003, reducing inventory by $4.6 million to $91.3 million and paying down $4.9 million of debt (partially mitigated by foreign currency exchange effects) despite increased sales during this period. Liquidity was improved as cash increased $3.9 million to $20.8 million driven by $11.5 million positive cash flows from operations.

During the second quarter of fiscal 2004, we identified an accounting error that occurred in our Swedish subsidiary which affected interest expense previously reported for the prior seven quarters in the aggregate amount of $738,000. We filed an amended Form 10-K/A for fiscal 2003 and an amended Form 10-Q/A for the period ended August 30, 2003, which increased interest expense reported in those periods.

In February of 2002, we sold our medical glassware business that represented a portion of former Medical Systems Group. The rest of Medical Systems Group was reclassified into the Display Systems Group and Corporate.

Results of Operations

Six Months Ended November 29, 2003 Compared to Six Months Ended November 30, 2002

Six Months Results of Operations Table

	SALES		
	FY 2003	FY 2004	% Change
	(In thousands)		
By Business Unit:			
RF and Wireless Communications Group	$ 100,878	$ 107,520	6.6%
Industrial Power Group	47,778	53,718	12.4%
Security Systems Division	46,396	51,281	10.5%
Display Systems Group	28,122	30,943	10.0%
Other	4,398	3,895	
Total	$ 227,572	$ 247,357	8.7%

	SALES				
By Geographic Area:					
North America	$	129,167	$	131,133	1.5%
Europe		48,932		56,942	16.4%
Asia/Pacific		37,932		47,490	25.2%
Latin America		10,036		9,677	-3.6%
Corporate		1,505		2,115	
Total	$	227,572	$	247,357	8.7%

	GROSS MARGIN					
		FY 2003	% of Sales		FY 2004	% of Sales
	(In thousands)					
By Business Unit:						
RF and Wireless Communications Group	$	22,786	22.6%	$	24,028	22.3%
Industrial Power Group		15,080	31.6%		16,347	30.4%
Security Systems Division		11,447	24.7%		13,025	25.4%
Display Systems Group		7,596	27.0%		7,986	25.8%
Other		(842)			(1,329)	
Total	$	56,067	24.6%	$	60,057	24.3%
By Geographic Area:						
North America	$	33,987	26.3%	$	34,620	26.4%
Europe		13,334	27.3%		16,386	28.8%
Asia/Pacific		8,803	23.2%		10,587	22.3%
Latin America		2,791	27.8%		2,301	23.8%
Corporate		(2,848)			(3,837)	
Total	$	56,067	24.6%	$	60,057	24.3%

NOTE:

Fiscal 2003 data has been reclassified to conform with the current presentation which includes:

reclassifying broadcast tubes from RF and Wireless Communications Group to Industrial Power Group; and

reclassifying direct export and a portion of Corporate to the identified geographic areas based on ship to location.

Europe includes sales and gross margins to Middle East and Africa.

Corporate consists of freight and other non-specific sales and gross margins.

Sales and Gross Margins. Consolidated sales for six months ended November 29, 2003 increased 8.7% compared to the six months ended November 30, 2002 to $247.4 million due to the increased demand across all strategic business units and record sales in some geographic regions. Consolidated gross margins decreased 30 basis points primarily due to a mix shift to lower margin component sales.

RF and Wireless Communications Group six months sales increased 6.6% from levels for the first six months of fiscal 2003, driven by strength in major product lines offset by weakness in some specialty and Broadcast products. The Network Access, Infrastructure and Passive/Interconnect product lines posted growth of 13.6%, 1.5%, and 5.5% to $36.5 million, $32.4 million, and $18.9 million, respectively, compared to the prior year, associated with wireless and infrastructure demand increases. Gross margins were down 30 basis points due to higher component sales, particularly in Asia, which carry a lower gross margin than engineered solutions.

Industrial Power Group sales increased 12.4% for the six months led by strong, broad-based demand. Power components were up 17% to $15.7 million while the tube businesses increased 11% to $38.0 million. Margins were down 120 basis points primarily due to the exchange rate impact on the cost of certain tube products manufactured in Europe.

Security Systems Division six months sales increased 10.5%, fueled by continued expansion of the Canadian business and strengthening of the Canadian dollar. Gross margins increased 70 basis points due to the exchange rate impact partially offset by competitive pricing pressure.

Display Systems Group sales increased 10% for the six months as medical monitor sales increased by 37.4% to $12.1 million. High margin legacy cathode ray tube products were down 3.3% to $5.3 million, negatively affecting gross margin.

North America six months sales were up slightly as Canada posted 23.2% sales growth to $35.7 million as a result of the strong Canadian dollar and increased demand across all strategic business units.

Europe sales increased 16.4% for the six months as all countries posted increases in sales partially due to the weakening US dollar.

Asia/Pacific achieved record levels with sales increasing by 25.2% for the six months from fiscal 2003. Our six months sales in China increased 74.9% over last year to $9.9 million. The margins in China, however, are among the lowest in the area due to the high level of contract manufacturing and component sales, driving the overall Asia/Pacific gross margin down.

Latin America sales decreased 3.6% for the six months due to decreasing demand in the Central and Southern regions partially offset by moderate growth in Brazil and Mexico.

Gross margins by geographic area experienced significant fluctuations for the first six months from an increase of 150 basis points in Europe to a decrease of 400 basis points in Latin America, principally resulting from changes in the sales mix.

Selling, General and Administrative (SG&A) Expenses. For the six-month period, SG&A expenses increased by $2.6 million or 5.4% to $51.3 million primarily due to foreign currency translation and increased PeopleSoft implementation costs. We expect the implementation of enterprise resource planning software to continue over the next couple of fiscal years while targeting total SG&A expenses to remain in the range of 20% of sales during these periods.

Interest and Other Expenses. Interest expense was relatively flat as both average borrowing levels and the weighted-average interest rate remained essentially the same compared to the prior year. Cash payments for interest were $5.1 million for the six months ended November 29, 2003.

Other expense include a realized foreign exchange gain of $424,000 for the first six months in fiscal 2004 compared to a realized foreign exchange loss of $257,000 for the same six months in fiscal 2003. Also included in Other expenses are a realized investment gain of $118,000 in 2004 and $26,000 in 2003. In the first six months of fiscal 2004, we recorded a loss of $229,000 due to revaluation of fixed assets and other-than-temporary investment impairment loss of $210,000.

Income Tax Provision. The effective tax rate was 30.3% for the six-month period of fiscal 2004 compared to 40.0% in fiscal 2003. The effective tax rate differs from the statutory rate of 35.0% primarily due to the impact of certain non-tax deductible charges, our foreign sales corporation benefits on export sales, state taxes, and the tax impact of non-U.S. operations. As we restated fiscal 2003 results because of the accounting error in our Swedish subsidiary associated with interest expense, no adjustment was made to the income tax provision since we do not believe it is more likely than not that the benefits of the foreign losses will be realized. As a result, there were significant fluctuations in the income tax rate in fiscal 2003 and the first half of fiscal 2004.

Future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates, changes in the valuation of certain deferred tax assets or liabilities, or changes in tax laws or interpretations thereof. In addition, we are subject to the examination of our income tax returns by the Internal Revenue Service and other tax authorities and regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes.

Net Results. Net income for the first half of fiscal 2004 was $2.6 million, or $0.18 per share, compared to net income before cumulative effect of accounting change of $1.2 million, or $0.09 per share, in the first half of the prior year. The cumulative effect of accounting change included in the first six months of fiscal 2003 net results represents a goodwill and other intangible assets impairment charge in the amount of $17.9 million, net of taxes of $3.7 million. The impairment was recorded as a change in accounting principle in the first quarter of fiscal 2003.

Year Ended May 31, 2003 Compared to Year Ended May 31, 2002

Fiscal Year Results of Operations Table

	SALES		
	FY 2002	FY 2003	% Change
	(In thousands)		
By Business Unit:			
RF and Wireless Communications Group	$ 181,969	$ 204,427	12.3%
Industrial Power Group	95,018	95,508	0.5%
Security Systems Division	85,087	92,090	8.2%
Display Systems Group	60,697	64,191	5.8%
Other	20,721	8,301	
Total	$ 443,492	$ 464,517	4.7%
By Geographic Area:			
North America	$ 248,011	$ 259,640	4.7%
Europe	94,670	103,129	8.9%
Asia/Pacific	68,817	78,146	13.6%
Latin America	29,013	20,523	-29.3%
Corporate	2,981	3,079	
Total	$ 443,492	$ 464,517	4.7%

	GROSS MARGIN			
	FY 2002	% of Sales	FY 2003	% of Sales
	(In thousands)			
By Business Unit:				
RF and Wireless Communications Group	$ 42,642	23.4%	$ 45,687	22.3%
Industrial Power Group	29,181	30.7%	29,523	30.9%
Security Systems Division	20,080	23.6%	22,939	24.9%
Display Systems Group	15,864	26.1%	16,218	25.3%
Other	(13,601)		(15,277)	

	GROSS MARGIN			
Total	$ 94,166	21.2%	$ 99,090	21.3%
By Geographic Area:				
North America	$ 65,799	26.5%	$ 67,863	26.1%
Europe	25,295	26.7%	28,387	27.5%
Asia/Pacific	15,861	23.0%	17,895	22.9%
Latin America	7,994	27.6%	5,274	25.7%
Corporate	(20,783)		(20,329)	
Total	$ 94,166	21.2%	$ 99,090	21.3%

NOTE:

This data has been reclassified to conform with the 2004 presentation. The modifications include:

reclassifying broadcast tubes from RF and Wireless Communications Group to Industrial Power Group; and

reclassifying direct export and a portion of Corporate to the identified geographic areas based on ship to location.

Europe includes sales and gross margins to Middle East and Africa.

Corporate consists of freight and other non-specific sales and gross margins.

Sales and Gross Margins. Consolidated sales in fiscal 2003 were $464.5 million, up 4.7% from fiscal 2002 sales of $443.5 million.

In fiscal 2002, we recorded a pre-tax provision for inventory obsolescence and overstock of $15.3 million, $9.8 million, net of tax. The charge was driven by the industry wide decline in sales, a prolonged recovery period, and changes in our mix of business toward higher technology products, particularly in the telecommunications market. In fiscal 2003, we recorded an additional provision of $13.8 million, $8.8 million, net of tax, primarily for inventory obsolescence, overstock, and shrink to write down inventory to net realizable value as we aligned our inventory and cost structure to current sales levels amid continued economic slowdown and limited visibility.

We recently implemented new polices and procedures to strengthen our inventory management process while continuing to invest in system technology to further enhance our inventory management tools. We are committed to inventory management as an ongoing process as the business evolves and technology changes.

In fiscal 2003, RF and Wireless Communications Group sales were up 12.3% from fiscal 2002 due to stronger US wireless communications demand, solid gains in passive and interconnect segments, and several large contract wins in North America. Gross margins continued to decline, dropping 110 basis points in fiscal 2003 primarily due to lower markups on several large contracts in the U.S.

Industrial Power Group sales in fiscal 2003 increased 0.5%, reflecting 20% growth in the sale of power semiconductors offset by a 4% decline in the legacy tube business. Gross margins were up 20 basis points in fiscal 2003 primarily due to changes in product mix.

Security Systems Division sales were higher by 8.2% in fiscal 2003 primarily due to heightened concerns over security and acceleration in the conversion from analog to digital technology. Gross margins were up 130 basis points in fiscal 2003 as higher margin digital technology products represented a larger percentage of sales.

Display Systems Group sales increased 5.8% in fiscal 2003 despite a decline in cathode ray tube sales of 10% offset by strong advances in custom flat panel monitor and medical monitor sales. The medical monitor business grew 31% in fiscal 2003 as we secured several large contracts with our new product offerings. Gross margins declined 80 basis points in fiscal 2003 as increased medical monitor sales carried lower margins

On February 22, 2002, we sold our medical glassware business, including the reloading and distribution of X-ray, CT, and image intensifier tubes, to Royal Philips Electronics amid continued decline in sales and gross margins due to increased competition in the replacement market and production inefficiencies in tube reloading. Medical glassware sales fell 90.2% in fiscal 2003 as a result of the sale of the business at the end of the third quarter in fiscal 2002. The fiscal 2003 revenues represent sales of residual inventory as well as certain camera tubes we still sell into multiple markets.

North American sales increased 4.7% in fiscal 2003 as we benefited from improved demand in the US wireless communications market and continued gains in the Canadian security market, in which our Security Systems Division's operation, Burtek, is one of the leading suppliers.

European sales increased 8.9% in fiscal 2003, propelled by the strong Euro and solid gains in our Security Systems Division and Displays Systems Group.

Asia/Pacific marked its fifth consecutive year of double-digit growth as sales increased 13.6% in fiscal 2003. Taiwan, Japan, and China posted the largest gains in fiscal 2003 as we opened a third sales office in China and had a strong RF and Wireless Communications Group performance in Japan.

Latin American economies did not perform well during fiscal 2003 as they suffered from the effects of the global economic recession, weak investment inflows, political instability in several

countries, and general uncertainty about the future economic policies of several countries. This was the main reason sales decreased 29.3% in fiscal 2003. Effects of the sold medical glassware business and continued devaluation of local currencies also contributed to the sharp decline.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $6.2 million in fiscal 2003 to $100.7 million. Included in the SG&A expense is a restructuring charge of $1.7 million as we eliminated over 70 positions or approximately 6% of our workforce and terminated a property lease contract. Increases in salaries, primarily resulting from employee merit increases, contributed over $2.0 million to the SG&A rise. Incentives were up $1.5 million in fiscal 2003 on higher sales while fringe benefits were up approximately $1.0 million driven by increasing health-care costs and higher payroll.

Other Income and Expense. Interest expense decreased 16.4% in fiscal 2003 partially due to $1.1 million lower charges related to the fair market value adjustments of the fixed rate swaps. Also, we benefited from historically low interest rates as our weighted average interest rate decreased to 6.09% on May 31, 2003, compared to 6.35% a year ago.

During the second quarter of fiscal 2004, we identified an accounting error that occurred in our Swedish subsidiary which affected interest expense previously reported for the prior seven quarters in the aggregate amount of $738,000. We have restated financial results for fiscal years 2003 and 2002, which increased interest expense reported in those periods.

Investment income includes realized capital losses of $61,000 in fiscal 2003 related to our investment portfolio. Foreign exchange and other expenses primarily reflect changes in the value of the U.S. dollar relative to foreign currencies.

Income Tax Provision. Our effective tax rates were 22.9% in fiscal 2003 and 35.6% in fiscal 2002. Differences between the effective tax rate as compared to the prior year and as compared to the U.S. federal statutory rate of 34% principally result from our geographical distribution of taxable income and losses, certain non-tax deductible charges, and our foreign sales corporation benefit on export sales, net of state income taxes. In fiscal 2003, due to the fact that we are in a loss position, the lower tax rate is indicative of a lower tax benefit being recorded. This primarily resulted from the establishment of a $1.6 million valuation reserve related to our deferred tax assets outside of the United States. As a result, no tax benefit was recognized on losses in certain foreign subsidiaries.

Net Results. In fiscal 2003, we posted a net loss of $28.0 million. The loss includes, net of tax, $17.9 million goodwill impairment charge, $8.8 million charge related to inventory, $1.1 million restructuring charge, and other charges of $2.0 million.

We recorded a net loss of $11.5 million in fiscal 2002 which included after tax charges related to the medical glassware business disposition of $2.9 million, inventory obsolescence and overstock of $9.8 million, and other charges of $0.5 million.

Year Ended May 31, 2002 Compared to Year Ended May 31, 2001

Fiscal Year Results of Operations Table

	SALES		
	FY 2001	FY 2002	% Change
	(In thousands)		
By Business Unit:			
RF and Wireless Communications Group	$ 220,545	$ 181,969	-17.5%
Industrial Power Group	112,889	95,018	-15.8%
Security Systems Division	82,352	85,087	3.3%
Display Systems Group	59,476	60,697	2.1%
Other	27,107	20,721	
Total	$ 502,369	$ 443,492	-11.7%
By Geographic Area:			
North America	$ 310,274	$ 248,011	-20.1%
Europe	104,215	94,670	-9.2%
Asia/Pacific	56,735	68,817	21.3%
Latin America	28,050	29,013	3.4%
Corporate	3,095	2,981	
Total	$ 502,369	$ 443,492	-11.7%

	GROSS MARGIN			
	FY 2001	% of Sales	FY 2002	% of Sales
	(In thousands)			
By Business Unit:				
RF and Wireless Communications Group	$ 57,904	26.3%	$ 42,642	23.4%
Industrial Power Group	36,339	32.2%	29,181	30.7%
Security Systems Division	18,932	23.0%	20,080	23.6%
Display Systems Group	14,553	24.5%	15,864	26.1%
Other	3,882		(13,601)	
Total	$ 131,550	26.2%	$ 94,166	21.2%
By Geographic Area:				
North America	$ 90,276	29.1%	$ 65,799	26.5%
Europe	29,919	28.7%	25,295	26.7%
Asia/Pacific	17,238	30.4%	15,861	23.0%
Latin America	7,856	28.0%	7,994	27.6
Corporate	(13,739)		(20,783)	
Total	$ 131,550	26.2%	$ 94,166	21.2%

NOTE:

This data has been reclassified to conform with the 2004 presentation. The modifications include:

reclassifying broadcast tubes from RF and Wireless Communications Group to Industrial Power Group; and

reclassifying direct export and a portion of Corporate to the identified geographic areas based on ship to location.

Europe includes sales and gross margins to Middle East and Africa.

Corporate consists of freight and other non-specific sales and gross margins.

Sales and Gross Margin. Consolidated sales in fiscal 2002 were $443.5 million, 11.7% down from fiscal 2001 sales of $502.4 million.

In fiscal 2002, we recorded a pre-tax provision for inventory obsolescence and overstock of $15.3 million, $9.8 million, net of tax. The charge was driven by the industry wide decline in sales, a prolonged recovery period, and changes in our mix of business toward higher technology products, particularly in the telecommunications market.

RF and Wireless Communications Group sales decreased 17.5% in fiscal 2002 to $182.0 million reflecting lower demand primarily in North America and Europe due to the general state of the economy, particularly in the telecommunications market. The decline was partially offset by growth in Asia/Pacific and revenues of acquired businesses. Gross margin as a percent of sales was 23.4% in fiscal 2002, compared to 26.3% in fiscal 2001. The decline in margin in fiscal 2002 is primarily associated with lower markups on an expanded customer base in Asia/Pacific.

As part of our business model to grow through both product line and geographic expansion, we made a strategic acquisition in fiscal 2002 relating to the group. In July 2001, we acquired Sangus AB of Stockholm, Sweden, a leading distributor and manufacturers' representative specializing in design-in and engineering support for RF, microwave, and fiber optics to the wireless and communications markets in the Nordic region. The acquisition contributed $8.7 million to sales in fiscal 2002.

Industrial Power Group sales declined 15.8% in fiscal 2002 reflecting lower investment levels for microwave equipment by the semiconductor industry as well as lower demand for both industrial and power conversion products. Gross margin was 30.7% in fiscal 2002, compared to 32.2% in fiscal 2001. The decline in margin in fiscal 2002 is primarily due to several large volume contracts at lower margins and changes in product mix.

Security Systems Division sales were higher by 3.3% in fiscal 2002 because of heightened concerns over security and an acceleration in the conversion from analog to digital technology. Gross margin was up to 23.6% in fiscal 2002 from 23.0% in fiscal 2001 as higher margin digital technology products represented a larger percentage of sales.

Display Systems Group sales increased 2.1% in fiscal 2002 with strong growth in custom flat panel monitor sales of 14.2% and growth in medical monitor sales of 6.2%, partially offset by a decline in cathode ray tube sales of 13.2%. Gross margin as a percent of sales was 26.1% in fiscal 2002, compared to 24.5% in fiscal 2001. The margin increase reflects a general improvement in flat panel monitor and medical monitor margins driven by increased value added from our engineered solutions model.

Other sales primarily consisted of medical system sales. On February 22, 2002, we sold our medical glassware business, including the reloading and distribution of X-ray, CT, and image intensifier tubes, to Royal Philips Electronics amid continued decline in sales and gross margins due to increased competition in the replacement market and production inefficiencies in tube reloading. Medical system sales decreased 25.8% in fiscal 2002 primarily as a result of the sale of the medical glassware business during the year.

North American sales decreased 20.1% in fiscal 2002 as a direct result of the general economic conditions particularly in telecommunication and semiconductor markets. Sales in Europe decreased 9.2% in fiscal 2002 primarily due to lower RF and Wireless Communications demand. Asia/Pacific sales increased 21.3% in fiscal 2002 led by strong RF and Wireless Communications growth. Sales in Latin America increased 3.4% in fiscal 2002 primarily due to RF and Wireless Communications and Security Systems growth.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were essentially flat at $94.5 million in fiscal 2002 compared with $94.4 million in fiscal 2001 as the effect of acquisitions and continued investment in our engineering staff was partially offset by strict cost control measures on certain discretionary expenses.

Other Income and Expense. Interest expense increased 11.1% in fiscal 2002 primarily because of the charge related to the interest rate exchange agreements not designated as hedges upon the adoption of SFAS No. 133. Investment income includes realized capital gains of $49,000 and $222,000 in fiscal 2002 and fiscal 2001. Foreign exchange and other expenses primarily reflect changes in the value of the U.S. dollar relative to foreign currencies. In fiscal 2002, we recorded a loss of $4.6 million related to the sale of Glassware.

Income Tax Provision. Our effective tax rates were 35.6% in fiscal 2002 and 32.8% in fiscal 2001. The rates differ from the statutory rates of 34% in fiscal 2002 and 35% in fiscal 2001 primarily due to our foreign sales corporation benefit on export sales and, in fiscal 2001, realization of tax benefit on prior years' foreign losses, offset by state income taxes.

Net Results. In fiscal 2002, we recorded a net loss of $11.5 million, compared to net income of $17.7 million in fiscal 2001. The loss in fiscal 2002 included after tax charges related to the medical glassware business disposition of $2.9 million, inventory obsolescence and overstock of $9.8 million, and other charges of $0.5 million.

Liquidity and Capital Resources

In recent years, we have financed our growth and cash needs largely through income from operations and borrowings under revolving credit facilities. Liquidity provided by our operating activities is reduced by working capital requirements, debt service, capital expenditures, dividends, and business acquisitions. Liquidity is increased by proceeds from borrowings and business dispositions.

We provide engineered solutions, including prototype design and assembly, in niche markets. Additionally, we specialize in certain products representing trailing-edge technology that may not be available from other sources, and may not be currently manufactured. In many cases, our products are components of production equipment for which immediate availability is critical to the customer. Accordingly, we enjoy higher gross margins, but have larger investments in inventory than those of a commodity electronics distributor.

Cash provided by operations was $7.8 million in fiscal 2003 and $33.1 million in fiscal 2002, while in fiscal 2001, $18.7 million of cash was used in operations. Working capital requirements increased by $3.2 million in fiscal 2003 as enhanced collection of receivables and improved inventory management did not fully offset a decrease in days payable. Working capital requirements decreased $22.2 million in fiscal 2002 in line with the 11.7% sales reduction. In fiscal 2001, additional investments in working capital to support sales growth were $44.4 million.

Cash and cash equivalents were $20.8 million at November 29, 2003, an increase of $3.9 million from the beginning of the year. During the first six months of fiscal 2004, we generated $11.5 million of cash from operating activities. Working capital decreased $5.0 million, largely due to an increase in accounts payable of $6.9 million and a decrease in inventory of $5.4 million, partially offset by a $7.7 million accounts receivable increase.

Inventory days were approximately 86 in the second quarter of fiscal 2004, compared with 94 days in the first quarter and 97 days at the end of fiscal 2003. Inventory levels and the associated inventory turns reflect our ongoing inventory management efforts. Inventory management remains an area of focus as we seek to balance the need to maintain strategic inventory levels to ensure competitive lead times against the risk of inventory obsolescence because of rapidly changing technology and customer requirements.

Quarterly dividends of $0.04 per common share and $0.036 per class B common share in the total amount of $1.1 million for six months were offset by $1.0 million in proceeds from the exercise of stock options by employees, resulting in net cash used in financing activities of $4.7 million. Annual dividend payments for fiscal 2003 amounted to $2.2 million. The policy regarding payment of dividends is reviewed periodically by the board of directors in light of the Company's operating needs and capital structure. Over the last 15 years, the Company was in a position to regularly pay a quarterly dividend of $0.04 per common share and $0.036 per class B common share. Management currently expects this trend to continue in fiscal 2004.

We spent approximately $2.5 million on capital projects during the first half of fiscal 2004 primarily related to PeopleSoft development costs and ongoing investments in information technology infrastructure. Over the next two quarters management estimates the capital expenditures to increase to approximately $2.0 million per quarter as the enterprise resource planning software implementation progresses. The $726,000 earnout payment represents a cash outlay associated with the Pixelink acquisition as the business unit achieved certain operating performance criteria.

We spent approximately $6.1 million on capital projects during fiscal 2003 primarily related to capitalized PeopleSoft development costs ($3.0 million), facility improvements at the Corporate headquarters (over $1.0 million), as well as ongoing efficiencies in operating and information technology infrastructure.

As of the end of fiscal 2003, we maintained $138.4 million in long-term debt primarily in the form of two issues of convertible debentures and a multi-currency credit facility. In fiscal 2004, the interest payments on the debentures of $2,767,000 each are scheduled for June and December of 2003. We have a multi-currency revolving credit facility agreement in the amount of $102.0 million. The agreement matures in September 2005 and bears interest at applicable LIBOR rates plus a margin, varying with certain financial performance criteria. At May 31, 2003, the applicable margin was 225 basis points and $36.2 million was available under the total facility. This amount was reduced to $9.4 million due to the borrowing base limitations. At November 29, 2003, the applicable margin was 225 basis points and $39.1 million was available under the total facility. This amount was reduced to $14.1 million due to the borrowing base limitations.

In the six-month period of fiscal 2004, we reduced our long-term debt by $3.6 million as $4.6 million was paid down under the multi-currency credit facility. Foreign currency translation increased the debt by $1.3 million, while payments on the interest rate exchange hedges accounted for the balance of the debt reduction. We were in compliance with all debt covenants for the six-month period ended November 29, 2003.

The credit agreement and old indentures contain financial covenants with which we were in full compliance at May 31, 2003 and November 29, 2003. These covenants include benchmark levels for tangible net worth, borrowing base, senior funded debt to cash flow, and annual debt service coverage. In addition, we would be in default of our credit agreement if Mr. Edward Richardson's stock were not sufficient for him to elect a majority of our board of directors and control any amendment to our by-laws. In connection with this exchange offer and the concurrent offering, we are required to obtain the consent and waiver from the lenders of certain covenants contained in the credit agreement. We have had discussions with the lenders concerning this exchange offer and the concurrent offering and expect to finalize the necessary consent and waiver shortly. See "Concurrent Offering."

We have interest rate exchange agreements to convert approximately $37.2 million of our floating rate debt to an average fixed rate of 8% through July 2004. At June 1, 2001, in connection with the adoption of SFAS No. 133, we recorded a transition adjustment relating to these agreements, which reduced other accumulated comprehensive income in shareholders' equity by $971,000, after tax. In addition, we recorded $789,000 in fiscal 2003 and $1,926,000 in fiscal 2002 related to these agreements as additional interest expense in the statement of operations.

See " Risk Management and Market Sensitive Financial Instruments" for information regarding the effect on net income of market changes in interest rates.

Certain contractual obligations and other commercial commitments by expiration period are presented in the table below:

Contractual obligations and contingent commitments

	Payments Due by Fiscal Period, in thousands						
	2004	**2005**	**2006**	**2007**	**2008**	**Beyond**	**Total**
Convertible debentures	$	$ 3,850	$ 6,225	$ 60,750	$	$	$ 70,825
Floating-rate multi-currency revolving credit facility			65,802				65,802
Financial Instruments	1,618	135					1,753
Facility lease obligations	3,378	2,447	1,573	703	527	661	9,289
Performance bonds	645						645
Contingent and earnout payments	6,193	1,084					7,277
Other	46	16					62

	Payments Due by Fiscal Period, in thousands						
Total	$ 11,880	$ 7,532	$ 73,600	$ 61,453	$ 527	$ 661	$ 155,653

Our management believes that the existing sources of liquidity, including current cash and equivalents as well as cash provided by operating activities, supplemented as necessary with funds available under our credit arrangements, will provide sufficient resources to meet our present and future working capital and other cash requirements for at least the next twelve months.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to allowances for doubtful accounts, inventories, intangible assets, income taxes, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The policies discussed below are considered by management to be critical to understanding our financial position and results of operations. Their application involves more significant judgments and estimates in preparation of the Company's consolidated financial statements. For all of these policies, management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment.

Allowance for Doubtful Accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The estimates are influenced by the following considerations: continuing credit evaluation of customers' financial conditions; aging of receivables, individually and in the aggregate; large number of customers and their dispersion across wide geographic areas; collectability and delinquency history by geographic area; and the fact that no single customer accounts for 10% or more of net sales. Material changes in one or more of these considerations may require adjustments to the allowance affecting net income and net carrying value of Accounts Receivable. As of May 31, 2003, the balance in the account was $3,350,000.

Impairment of Investments. We hold a portfolio of investment securities and periodically assess its recoverability. In the event of a decline in fair value of an investment, the judgment is made whether the decline is other-than-temporary. Management's assessment as to the nature of a decline is largely based on the duration of that market decline, financial health of and specific prospects for the issuer, and our cash requirements and intent to hold the investment. If an investment is impaired and the decline in market value is considered to be other-than-temporary, an appropriate write-down is recorded.

In fiscal 2003, an investment impairment of $72,000 was recorded in operating results. In addition, the carrying value of certain investments was $240,000 below cost based on the closing prices on May 31, 2003. In preparing fiscal 2003 financial statements, management concluded that these stock price declines were temporary and no additional write-down was required as of May 31, 2003.

Inventories. We carry our inventories at the lower of cost or market. Provisions for obsolete or slow moving inventories are recorded based upon a regular analysis of stock rotation, obsolescence, and assumptions about future demand and market conditions. If future demand, changes in the industry, or market conditions differ from management's estimates, additional provisions may be necessary.

In fiscal 2003 and 2002, we recorded inventory obsolescence and overstock provisions of $13.8 million and $15.3 million, respectively, which were included in the cost of sales. The provisions were principally for obsolete and slow moving parts. The parts were written down to estimated realizable value.

Long-Lived and Intangible Assets. We periodically evaluate the recoverability of the carrying amounts of our long-lived assets, including software, property, plant and equipment. Impairment is assessed when the undiscounted expected cash flows derived from an asset are less than its carrying amount. If impairment exists, the carrying value of the impaired asset is written down and impairment loss is recorded in operating results. In assessing the potential impairment of our goodwill and other intangible assets, management makes significant estimates and assumptions regarding the discounted future cash flows to determine the fair value of the respective assets on an annual basis. These estimates and their related assumptions include, but are not limited to, projected future operating results, industry and economy trends, market discount rates, indirect expense allocations, and tax rates. If these estimates or assumptions change in the future as a result of changes in strategy, our profitability, or market conditions, among other factors, this could adversely affect future goodwill and other intangible assets valuations and result in additional impairment charges.

Effective June 1, 2002, we adopted Statement of Financial Accounting Standard No. 142 (SFAS 142), Goodwill and Other Intangible Assets. This statement changed the accounting for goodwill and indefinite-lived assets from an amortization approach to an impairment-only approach. As a result of the adoption of SFAS No. 142, we recorded a transitional impairment charge during the first quarter of fiscal 2003 of $21.6 million ($17.9 million net of tax), presented as a cumulative effect of accounting change. We performed our annual impairment test during the fourth quarter of fiscal 2003. We did not find any indication that additional impairment existed and, therefore, no additional impairment loss was recorded.

New Accounting Pronouncements

In June 2002, the FASB issued Statement of Financial Accounting Standard No. 146 (SFAS 146), Accounting for Costs Associated with Exit or Disposal Activities. SFAS 146 provides guidance on the accounting for recognizing, measuring, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS 146 adjusts the timing of when a liability for termination benefits is to be recognized based on whether the employee is required to render future service. A liability for costs to terminate an operating lease or other contract before the end of its term is to be recognized when the entity terminates the contract or ceases using the rights conveyed by the

contract. All other costs associated with an exit or disposal activity are to be expensed as incurred. SFAS 146 requires the liability to be measured at its fair value with subsequent changes in fair value to be recognized each reporting period utilizing an interest allocation approach. The pronouncement is effective for exit or disposal activities initiated after December 31, 2002.

In November 2002, FASB issued Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 requires certain guarantees to be measured at fair value upon issuance and recorded as a liability. In addition, FIN 45 expands current disclosure requirements regarding guarantees issued by an entity, including tabular presentation of the changes affecting an entity's aggregate product warranty liability. The recognition and measurement requirements of the interpretation are effective prospectively for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for us commencing in our annual financial statements for the fiscal year ended May 31, 2003.

In December 2002, the FASB issued SFAS 148, Accounting for Stock-Based Compensation Transition and Disclosure, an Amendment of FASB Statement No. 123. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends certain provisions of SFAS 123 to require that disclosure of the pro forma effect of applying the fair value method of accounting for stock-based compensation be prominently displayed in an entity's accounting policy in annual and interim financial statements. We are required to follow the prescribed format and provide the additional disclosures required by SFAS 148 in its annual financial statements for the fiscal year ended May 31, 2003, and must also provide the disclosures in its quarterly reports containing condensed financial statements for interim periods beginning with the quarterly period ending February 28, 2003.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities (VIE). FIN 46 requires that if a company holds a controlling financial interest in a VIE, the assets, liabilities, and results of the VIE's activities should be consolidated in the entity's financial statements. We do not expect FIN 46 to have a material impact on our consolidated results of operations or financial position.

SFAS 149 was issued in April 2003 and amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 149 is generally effective for derivative instruments, including derivative instruments embedded in certain contracts, entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. We do not expect the adoption of SFAS 149 to have a material impact on our operating results or financial condition.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristic of Both Liabilities and Equity. This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within the scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim periods beginning after June 15, 2003. The pronouncement is not expected to have a material impact on our consolidated results of operations or financial position.

Risk Management and Market Sensitive Financial Instruments

Our foreign denominated assets and liabilities are cash, accounts receivable, inventory, and accounts payable, primarily in Canada and member countries of the European community and, to a lesser extent, in Asia/Pacific and Latin America. We monitor our foreign exchange exposures and have entered into forward contracts to hedge significant transactions. Such contracts are not significant at May 31, 2003. Other tools that may be used to manage foreign exchange exposures include the use of currency clauses in sales contracts and the use of local debt to offset asset exposures.

As discussed above, our debt financing, in part, varies with market rates exposing us to the market risk from changes in interest rates. Certain of our operations, assets, and liabilities are denominated in foreign currencies subjecting us to foreign currency exchange risk. In order to provide the user of these financial statements guidance regarding the magnitude of these risks, the Securities and Exchange Commission requires us to provide certain quantitative disclosures based upon hypothetical assumptions. Specifically, these disclosures require the calculation of the effect of a 10% increase in market interest rates and a uniform 10% strengthening of the U.S. dollar against foreign currencies on our reported net earnings and financial position.

Under these assumptions, additional interest expense, tax effected, would have increased the net loss by $81,000 in fiscal 2003 and $247,000 in fiscal 2002, respectively. These amounts were determined by considering the impact of the hypothetical 10% interest rate increase on our variable rate outstanding borrowings.

Had the US dollar strengthened 10% against various foreign currencies, sales would have been lower by an estimated $20.2 million in fiscal 2003 and $19.3 million in fiscal 2002. Total assets would have declined by $7.5 million and $8.1 million, while the total liabilities would have decreased by $4.4 million and $4.1 million in fiscal 2003 and fiscal 2002, respectively. These amounts were determined by considering the impact of the hypothetical 10% decrease in average foreign exchange rates against the U.S. dollar on the sales, assets, and liabilities of our international operations.

The interpretation and analysis of these disclosures should not be considered in isolation since variances in interest rates and exchange rates would likely influence other economic factors. These factors, which are not readily quantifiable, would likely also affect our operations.

OUR BUSINESS

Our Company

We are a global provider of engineered solutions and a distributor of electronic components to the radio frequency, or RF, and wireless communications, industrial power conversion, security, and display systems markets. We are committed to a strategy of providing specialized technical expertise and value-added products, which we refer to as "engineered solutions," in response to our customers' needs. We estimate that approximately 50% of our sales involve engineered solutions, consisting of:

- products which we manufacture or modify;
- products which are manufactured to our specifications by independent manufacturers under our own private labels, and
- value we add through design-in support, systems integration, prototype design and manufacturing, testing, and logistics for our customers' end products. We define design-in support to be component modifications or the identification of lower-cost product alternatives or complementary products.

Our products include RF and microwave components, power semiconductors, electron tubes, microwave generators, data display monitors, and electronic security products and systems. These products are used to control, switch or amplify electrical power or signals, or as display, recording or alarm devices in a variety of industrial, communication, and security applications.

Our broad array of technical services and products supports both our customers and vendors.

Our Strategic Business Units

We serve our customers through four strategic business units, each of which is focused on different end markets with distinct product and application needs. Our four strategic business units are:

- RF and Wireless Communications Group;
- Industrial Power Group;
- Security Systems Division; and
- Display Systems Group.

Each strategic business unit has dedicated marketing, sales, product management, and purchasing functions to better serve its targeted markets. The strategic business units operate globally, serving North America, Europe, Asia/Pacific, and Latin America.

Selected financial data attributable to each strategic business unit and geographic data for fiscal 2001, 2002, and 2003 is set forth in note L of the notes to our consolidated financial statements included elsewhere in this prospectus.

RF & Wireless Communications Group

Our RF and Wireless Communications Group serves the expanding global RF and wireless communications market, including infrastructure and wireless networks, as well as the fiber optics market. Our team of RF and wireless engineers assists customers in designing circuits, selecting cost effective components, planning reliable and timely supply, prototype testing, and assembly. The group offers our customers and vendors complete engineering and technical support from the design-in of RF and wireless components to the development of engineered solutions for their system requirements.

We expect continued growth in wireless applications as the demand for all types of wireless communication increases worldwide. We believe wireless networking and infrastructure products for a

number of niche applications will require engineered solutions using the latest RF technology and electronic components, including:

- automotive telematics, which is the use of computers and telecommunications to provide wireless voice and data applications in motor vehicles;
- RF identification, which is an electronic data collection and identification technology for a wide range of products to transfer data between a movable item and a reader to identify, track, or locate items; and
- wireless local area networks.

In addition to voice communication, we believe the rising demand for high-speed data transmission will result in major investments in both system upgrades and new systems to handle broader bandwidth.

We support these growth opportunities by partnering with many of the leading RF and wireless component manufacturers. A key factor in our ability to maintain a strong relationship with our existing vendors and to attract new vendors is our ability to supply them with worldwide demand forecasts for their existing products as well as products they have in development. We have developed internal systems to capture forecasted product demand by potential design opportunity based on ongoing dialog between our sales team and our customers. We share this information with our manufacturing suppliers to help them predict near and long-term demand and product life cycles. We have global distribution agreements with such leading suppliers as AVX, ANADIGICS, Anaren, HUBER+SUHNER, M/A-COM, Motorola, TOKO, and WJ Communications. In addition, we have relationships with many niche RF and wireless suppliers to allow us to serve as a comprehensive RF and wireless resource.

We participate in most RF and wireless applications and markets in the world, focusing on infrastructure rather than consumer-driven subscriber applications.

The following is a description of our RF and Wireless Communications Group's major product areas:

RF and Microwave Devices a wide variety of components, such as RF transistors, mixers, switches, amplifiers, oscillators, and RF diodes, which are used in infrastructure, wireless networking, and other related markets, such as broadcast, cable TV, cellular and personal communications service telephony, satellite, wireless local area networks, and various other wireless applications, including our newly developed In-home Amplifier, which helps increase the ability to send and receive cellular signals from the home.

Interconnect Devices passive components used to connect all types of electronic equipment including those employing RF technology.

Fiber Optics components including laser diodes, photo detectors, transamplifiers, and transceiver modules used in fiber optic communications for data communication and hybrid fiber coaxial and telecommunications markets.

Digital Broadcast components and assemblies used in a broad range of applications in the digital broadcast market, including satellite, transmission, and RF components.

Industrial Power Group

Our Industrial Power Group provides engineered solutions for customers in the steel, automotive, textile, plastics, semiconductor manufacturing, and transportation industries. Our team of engineers designs solutions for applications such as motor speed controls, industrial heating, laser technology, semiconductor manufacturing equipment, radar, and welding. We build on our expertise in

power conversion technology to provide engineered solutions to fit our customers' specifications using what we believe are the most competitive components from industry-leading vendors.

This group serves the industrial market's need for both vacuum tube and solid-state technologies. We provide replacement products for systems using electron tubes as well as design and assembly services for new systems employing power semiconductors. As electronic systems increase in functionality and become more complex, we believe the need for intelligent, efficient power management will continue to increase and drive power conversion demand growth.

We represent leading manufacturers of electronic components used in industrial power applications. Among the suppliers we support are APT, Bussmann, Cornell-Dubilier, CPI, Ferraz, General Electric, Hitachi, International Rectifier, Jennings, Nissei-Arcotronics, Ohmite, Powerex, Toshiba, Triton, Tyco Electronics, United Chemi-Con and Wakefield.

The following is a description of our Industrial Power Group's major product areas:

Power Semiconductors solid-state, high-frequency, high power products used in semiconductor manufacturing equipment, uninterruptible power supplies, medical radiation, and industrial heating applications.

Silicon Controlled Rectifiers, Heat Sink Assemblies, and Power Semiconductor Modules components used in many industrial control applications because of their ability to switch large amounts of power at high speeds. These silicon power devices are capable of operating at up to 4,000 volts at 2,000 amperes.

High Voltage and Power Capacitors devices used in industrial, avionics, medical, and broadcast applications for filtering, high-current bypass, feed-through capacitance for harmonic attenuation, pulse shaping, grid and plate blocking, tuning of tank circuits, antenna coupling, and energy discharge.

Power Amplifier / Oscillator Tubes vacuum or gas-filled tubes used in applications where current or voltage amplification and/or oscillation is required. Applications include induction heating, diathermy equipment, communications and radar systems, and power supplies for voltage regulation or amplification.

Microwave Generators devices that incorporate magnetrons, which are high vacuum oscillator tubes used to generate energy at microwave frequencies. The pulsed magnetron is primarily used to generate high-energy microwave signals for radar applications. Magnetrons are also used in vulcanizing rubber, food processing, packaging, wood/glue drying, in the manufacture of wafers for the semiconductor industry and other industrial heating applications such as microwave ovens and by the medical industry for sterilization and cancer therapy.

Hydrogen Thyratrons electron tubes capable of high speed and high voltage switching. They are used to control the power in laser and radar equipment and in linear accelerators for cancer treatment.

Thyratrons and Rectifiers vacuum or gas-filled tubes used to control the flow of electrical current. Thyratrons are used to control ignitrons, electric motor speed controls, theatrical lighting, and machinery such as printing presses and various types of medical equipment. Rectifiers are used to restrict electric current flow to one direction in power supply applications.

Ignitrons mercury pool tubes used to control the flow of large amounts of electrical current. Their primary applications are in welding equipment, power conversion, fusion research, and power rectification equipment.

Security Systems Division

Our Security Systems Division is a global provider of closed circuit television, fire, burglary, access control, sound, and communication products and accessories for the residential, commercial, and government markets. We specialize in closed circuit television design-in support, offering extensive expertise with applications requiring digital technology. Our products are primarily used for security and access control purposes but are also utilized in industrial applications, mobile video, and traffic management.

The security systems industry is rapidly transitioning from analog to digital imaging technology. We are positioned to take advantage of this transition through our array of innovative products and solutions marketed under our *National Electronics* , *Capture* , *AudioTrak* , and *Elite National Electronics* brands, including advanced equipment such as digital video recorders, Internet-based amplifiers, covert cameras, speed dome cameras, and telephone-control-based closed circuit television systems. We expect to gain additional market share by marketing ourselves as a value-added service provider and partnering with our other strategic business units to develop customized solutions as the transition to digital technology continues in the security industry.

We support our customer base with products from more than 100 manufacturers including such well-known names as Aiphone, Panasonic, Paradox, Pelco, Sanyo, and Sony, as well as our own private label brands, *National Electronics* , *Capture* , *AudioTrak* and *Elite National Electronics* .

The following is a description of our Security Systems Division's major product areas:

Closed Circuit Television products used in surveillance applications and for monitoring hazardous environments in the workplace. Products include: cameras, lenses, cathode ray tube and liquid crystal display monitors, multiplexers, time lapse recorders, computerized digital video recorders, Internet-based video servers, and accessories.

Burglar and Fire Alarms devices used to detect the presence of smoke, fire, or intrusion, and communicate information both to occupants and to a central monitoring station.

Access Control hardware-based and software-based solutions used to prevent, monitor and/or control access.

Commercial Sound Systems sound reproduction components used in background music, paging, and telephonic interconnect systems.

Display Systems Group

Our Display Systems Group is a global provider of integrated display products and systems to the public information, financial, point-of-sale, and medical imaging markets. The group works with leading hardware vendors to offer the highest quality liquid crystal display, plasma, cathode ray tube, and customized display monitors. Our engineers design custom display solutions that include touch screens, protective panels, custom enclosures, specialized finishes, application specific software, and privately branded products.

The medical imaging market is transitioning from film-based technology to digital technology. Our medical imaging hardware partnership program allows us to deliver integrated hardware and software solutions for this growing market by combining our hardware expertise in medical imaging engineered solutions with our software partners' expertise in picture archiving and communications systems. Through such collaborative arrangements, we are able to provide integrated workstation systems to the end user.

Our legacy business, replacement cathode ray tubes continues to be an important market. We achieved success in supplying replacement cathode ray tubes by developing an extensive cross-reference

capability. This database, coupled with custom mounting hardware installed by us, enables us to provide replacement tubes for more than 200,000 models.

We have long-standing relationships with key manufacturers including 3M, BarcoView, Clinton Electronics, IBM, Intel, NEC/Mitsubishi Displays, Panasonic Industrial, Philips-FIMI, Planar Systems, Siemens Displays, and Sony. We believe these vendor relationships give us a well-balanced and technologically advanced line of products.

We have design and integration operations in LaFox, Illinois, and Hudson, Massachusetts and stocking locations in LaFox, Hudson, and Lincoln, England.

The following is a description of our Display Systems Group's major product areas:

Cathode Ray Tubes vacuum tubes that convert an electrical signal into a visual image to display information on data display monitors, cathode ray tubes are used in various environments, including hospitals, financial institutions, airports, and numerous other applications wherever large user groups share electronic data visually. This product line includes both monochrome and color tubes.

Flat Panel Displays display monitors incorporating a liquid crystal or plasma panel, as an alternative to the traditional cathode ray tube technology, typically a few inches in depth and ranging from 10" to 52" measured diagonally. These displays are typically integrated with touchscreen technology or special mounting configurations based on the customer's requirements.

High Resolution Medical Displays an integral component of picture archiving and communications systems, displays are used in diagnostic and non-diagnostic imaging to display the digital image generated from computed tomography, magnetic resonance imaging, radiography, and other digital modalities.

Business Strategies

We are pursuing a number of strategies designed to enhance our business and, in particular, to increase sales of engineered solutions. Our strategies are to:

Capitalize on Engineering and Manufacturing Expertise. We believe that our success is largely attributable to our core engineering and manufacturing competency and skill in identifying cost-competitive solutions for our customers, and we believe that these factors will be significant to our future success. Historically, our primary business was the distribution and manufacture of electron tubes and we continue to be a major supplier of these products. This business enabled us to develop manufacturing and design engineering capabilities. Today, we use this expertise to identify engineered solutions for customers' applications not only in electron tube technology but also in new and growing end markets and product applications. We work closely with our customers' engineering departments which allows us to identify engineered solutions for a broad range of applications. We believe our customers use our engineering and manufacturing expertise as well as our in depth knowledge of the components best suited to deliver a solution that meets their performance needs cost-effectively.

Target Selected Niche Markets. We focus on selected niche markets that demand a high level of specialized technical service, where price is not the primary competitive factor. These niche markets include wireless infrastructure, high power/high frequency power conversion, custom display and digital imaging. In most cases, we do not compete against pure commodity distributors. We often function as an extension of our customers' and vendors' engineering teams. Frequently, our customers use our design and engineering expertise to provide a product solution that is not readily available from a traditional distributor. By utilizing our expertise, our customers and vendors can focus their engineering resources on more critical core design and development issues.

Focus on Growth Markets. We are focused on markets we believe have high growth potential and which can benefit from our engineering and manufacturing expertise and from our strong vendor relationships. These markets are characterized by substantial end-market growth and rapid technological change. For example, the continuing demand for wireless communications is driving wireless application growth. Power conversion demand continues to grow due to increasing system complexity and the need for intelligent, efficient power management. We also see growth opportunities as security systems transition from analog to digital video recording and medical display systems transition from film to digital imaging.

Leverage Our Existing Customer Base. An important part of our growth is derived from offering new products to our existing customer base. We support the migration of our Industrial Power Group customers from electron tubes to newer solid-state technologies. Sales of products other than electron tubes represented approximately 83% of our sales in fiscal 2003 compared to 71% in fiscal 1999. In addition, our salespeople increase sales by selling products from all strategic business units to customers who currently may only purchase from one strategic business unit and by selling engineered solutions to customers who currently may only purchase standard components.

Growth and Profitability Strategies

Our long-range growth plan is centered around three distinct strategies by which we are seeking to maximize our overall profitability:

Focus on Internal Growth. We believe that, in most circumstances, internal growth provides the best means of expanding our business, both on a geographic and product line basis. The recent economic downturn increased the trend to outsourcing engineering as companies focused on their own core competencies, which we believe contributed to the increased demand for our engineered solutions. As technologies change, we plan to continue to capitalize on our customers' need for design engineering. We serve approximately 120,000 customers worldwide and have developed internal systems to capture forecasted product demand by potential design opportunity. This allows us to anticipate our customers' future requirements and identify new product opportunities. In addition, we share these future requirements with our manufacturing suppliers to help them predict near and long-term demand, technology trends and product life cycles.

Expansion of our product offerings is an ongoing program. In particular, the following areas have generated significant sales increases in recent years: RF amplifiers; interconnect and passive devices; silicon controlled rectifiers; custom and medical monitors; and digital closed circuit television security systems.

Reduce Operating Costs Through Continuous Operational Improvements. We constantly strive to reduce costs in our business through initiatives designed to improve our business processes. Recently, we have embarked on a vigorous program in an effort to improve operating efficiencies and asset utilization, with an emphasis on inventory control. Our incentive programs were revised in fiscal 2004 to heighten our managers' commitment to these objectives. Our strategic business units' goals are now based on return on assets. Additional programs are ongoing, including a significant investment in enterprise resource planning software scheduled for implementation during this calendar year.

Grow Through Acquisitions. We have an established record of acquiring and integrating businesses. Since 1980, we have acquired 34 companies or significant product lines and continue to evaluate acquisition opportunities on an ongoing basis. We seek acquisitions that provide product line growth opportunities by permitting us to leverage our existing customer base, expand the geographic

coverage for our existing product offerings, or add incremental engineering resources/expertise. Our most significant acquisitions over the past five years include:

TRL Engineering (amplifier pallet design and engineering now part of our RF and Wireless Communications Group) in 1999;

Pixelink (display systems integration now part of our Display Systems Group) in 1999;

Adler Video (security systems now part of our Security Systems Division) in 1999;

Celti (fiber optic communication now part of our RF and Wireless Communications Group) in 2001;

Aviv (design-in services for active and passive components now part of our RF and Wireless Communications Group) in 2001; and

Sangus (RF and microwave applications now part of our RF and Wireless Communications Group) in 2002.

Products and Suppliers

We purchase RF and power semiconductors, vacuum tubes, monitors and flat panel displays, and electronic security products and systems from various suppliers as noted above under " Our Strategic Business Units." During fiscal 2003, we added the following suppliers: Celeritek, Honeywell's VCSEL product division, IBM Life Sciences, iTerra Communications, GE Interlogix, Lightel Technologies, Matrox, Panasonic Broadcast, Planar Systems, and Thermshield.

We evaluate our customers' needs and maintain sufficient inventories in an effort to ensure our customers a reliable source of supply. We would generally anticipate holding 90 to 100 days of inventory in the normal course of operations. This level of inventory is higher than some of our competitors due to the fact that we sell a number of products representing older, or trailing edge, technology that may not be available from other sources. The market for these trailing edge technology products is declining and as manufacturers for these products exit the business we at times purchase a substantial portion of their remaining inventory. We also maintain an inventory of a broad range of products (which contributes to a higher total inventory) to be able to promptly service those customers who are buying product for replacement of components in equipment critical to preventing downtime of their operations. In other segments of our business, such as the RF and Wireless Communications Group, the market for our products is characterized by rapid change and obsolescence as a result of the development of new technologies, particularly in the semiconductor markets we serve. Recently, we have embarked on a vigorous program in an effort to improve operating efficiencies and asset utilization, with a particular emphasis on inventory control.

We have written distribution agreements with many of our suppliers; however, a number of these agreements provide for nonexclusive distribution rights and often include territorial restrictions that limit the countries in which we can distribute the products. The agreements are generally short-term, subject to periodic renewal and some contain provisions permitting termination by either party without cause upon relatively short notice. Although some of these agreements allow us to return inventory periodically, others do not, in which case, we may have obsolete inventory which we can not return to the supplier.

Our suppliers generally warrant the products we distribute and allow returns of defective products, including those returned to us by our customers. Except with respect to certain displays, we generally do not provide additional warranties on the products we sell. For information regarding our warranty reserves, see note A of the notes to our consolidated financial statements elsewhere in this prospectus.

In addition to third party products, we distribute proprietary products principally under the trade names *Amperex*®, *AudioTrak* , *Capture* , *Cetron*®, *Elite National Electronics* , *National*®, *National Electronics* , and *RF Gain* . Approximately 30% of our sales are from products we manufacture or modify through value-added services and from products manufactured to our specifications by independent manufacturers under private labels. Additionally, an estimated 20% of our sales are derived from products we design-in or engineer into solutions that meet customers' specific requirements.

The proprietary products we currently sell, which we manufacture or have manufactured for us, include RF amplifiers, transmitters and pallet assemblies, thyratrons and rectifiers, power tubes, ignitrons, CW magnetron tubes, phototubes, spark gap tubes, microwave generators, custom RF matching networks, heatsinks, silicon controlled rectifier assemblies, large screen display monitors, liquid crystal display monitors, and computer workstations. The materials used in the manufacturing process consist of glass bulbs and tubing, nickel, stainless steel and other metals, plastic and metal bases, ceramics, and a wide variety of fabricated metal components. These materials generally are readily available, but some components may require long lead times for production and some materials are subject to shortages or price fluctuations based on supply and demand.

Sales and Marketing

As of the end of fiscal 2003, we employed approximately 525 sales personnel worldwide. In addition, we have approximately 145 authorized representatives, who are not our employees, selling our products, primarily in regions where we do not have a direct sales presence. Many of our field representatives focus on just one of our strategic business units, while others focus on all of our strategic business units, within a particular geographic area. Our sales representatives are compensated in part on a salaried basis and in part on a commission basis.

We offer various credit terms to qualifying customers as well as prepayment, credit card and cash on delivery terms. We establish credit limits prior to selling product to our customers and routinely review delinquent and aging accounts. We establish reserves for estimated credit losses in the normal course of business.

Distribution

We maintain an inventory of more than 500,000 part numbers in our inventory database, and we estimate more than 80% of orders received by 6:00 p.m. local time are shipped complete the same day. Customers can access our product inventory through electronic data interchange, our web site at www.rell.com, or our catalog at www.catalog.rell.com, or by telephone. Customer orders are processed by the regional sales offices and supported by one of our principal distribution facilities in LaFox, Illinois; Houston, Texas; Vancouver, British Columbia; or Lincoln, England and/or our 45 additional stocking locations throughout the world. We utilize a sophisticated data processing network that provides on-line, real-time interconnection of all sales offices and central distribution operations, 24 hours per day, seven days per week. Information on stock availability, cross-reference information, customers, and market analyses are instantly obtainable throughout the entire distribution network.

Employees

As of May 31, 2003, we employed 1,090 individuals on a full-time basis. Of these, 568 were located in the United States and 522 were employed by our international subsidiaries. Our worldwide employee base included 637 in sales and product management, 201 in distribution support, 132 in administrative positions and 120 in value-added and product manufacturing. All of our employees are non-union. We consider our relationships with our employees to be good.

Competition

Engineering capability, exclusive vendor relationships, and product diversity create segmentation among our competitors. We believe that the key competitive factors in our markets are the ability to provide engineered solutions, inventory availability, quality, reliable delivery, and price. We believe that, on a global basis, we are a significant provider of engineered solutions and products including RF and power semiconductors and subassemblies, electron tubes, cathode ray tubes, custom and medical monitors, and security systems. In many instances, our competition is our customer base and their decision to make or buy, as well as the original equipment manufacturer for sales of replacement parts and system upgrades to service existing installed equipment. In addition, we compete worldwide with other general line distributors and other distributors of electronic components.

Patents and Trademarks

We hold or license certain manufacturing patents and trademark rights. Although our patents and trademarks have some value, they are not material to our success, which depends principally upon our core engineering capability, marketing technical support, product delivery, and the quality and economic value of our products.

Properties

We own our corporate facility and largest distribution center, which is located on approximately 300 acres in LaFox, Illinois, consisting of approximately 255,000 square feet of manufacturing, warehouse, and office space. We also own a building containing approximately 45,000 square feet of warehouse space on 1.5 acres in Geneva, Illinois. We also own facilities outside of the United States in England, Spain, and Italy.

We also maintain leased branch sales offices in or near major cities throughout the world, including 31 locations in North America, 15 in Europe, 14 in Asia/Pacific, and five in Latin America.

We consider our properties to be generally well maintained, in sound condition and repair, and adequate for our present needs.

Legal Proceedings

We are involved in several pending judicial proceedings concerning matters arising in the ordinary course of our business. While the outcome of litigation is subject to uncertainties, based on currently available information, we believe that, in the aggregate, the results of these proceedings will not have a material adverse effect on us.

On December 20, 2002, we filed a complaint against Signal Technology Corporation in the United States District Court for the Northern District of Illinois, which we dismissed on February 27, 2003. On February 14, 2003 Signal Technology filed a declaratory judgment suit against us in Superior Court, Boston, Massachusetts, and on March 4, 2003, we filed a complaint against Signal Technology Corporation in the Circuit Court of Cook County, Illinois. On February 13, 2004, we dismissed our complaint in the Circuit Court of Cook County, Illinois. From November 6, 2000 through December 6, 2001, Signal Technology issued six purchase orders to purchase low-frequency amplifiers and other electronic components from us and subsequently refused to take delivery of the components. We are claiming damages of approximately $2.0 million resulting from Signal Technology's refusal to take delivery. Signal's declaratory judgment suit in Massachusetts seeks a ruling that it has no liability to us, but Signal has not asserted any claim against us.

We filed a complaint against Microsemi Corporation on February 13, 2004, in the Circuit Court of Kane County, Illinois. Microsemi is a former supplier of electronic components to us. From May through August, 2002, we sought to return certain components to Microsemi pursuant to the terms of a

distribution agreement between Microsemi and us and Microsemi refused to accept our return. In this suit, we alleged breach of contract and seek damages in excess of $814,000.

In fiscal 2003, two customers of our German subsidiary asserted claims against us in connection with heterojunction field effect transistors we sold to them. We acquired the heterojunction field effect transistors from the manufacturer pursuant to a distribution agreement. The customers' claims are based on the heterojunction field effect transistors not meeting the specification provided by the manufacturer. We have notified the manufacturer and our insurance carrier of these claims. Because our investigation has not been completed, we are unable to evaluate the merits of these claims or the prospects of recovery from the manufacturer or insurance carrier. We intend to vigorously defend these claims and, if we should have any liability arising from these claims, we intend to pursue our claims against the manufacturer and our insurer.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information with respect to our executive officers and directors as of January 30, 2004:

Name	Age	Position
Edward J. Richardson	61	Chairman of the Board and Chief Executive Officer
Bruce W. Johnson	62	President, Chief Operating Officer and Director
Dario Sacomani	47	Senior Vice President, Chief Financial Officer and Director
William G. Seils	68	Senior Vice President, General Counsel and Secretary
Robert L. Prince	42	Executive Vice President, Worldwide Sales
Gregory J. Peloquin	39	Executive Vice President and General Manager, RF & Wireless Communications Group
Murray J. Kennedy	42	Executive Vice President and General Manager, Industrial Power Group
Robert J. Heise	39	Vice President and General Manager, Display Systems Group
Pierluigi Calderone	46	Vice President and Director, European Operations
Joseph C. Grill	59	Senior Vice President, Human Resources
Kathleen M. McNally	44	Senior Vice President, Marketing Operations and Customer Support
Gint Dargis	46	Vice President & Chief Information Officer
Larry Duneske	50	Vice President, Worldwide Logistics
Arnold R. Allen	72	Director
Jacques Bouyer	75	Director
Scott Hodes	66	Director
Ad Ketelaars	47	Director

Name	Age	Position
John R. Peterson	47	Director
Harold L. Purkey	57	Director
Samuel Rubinovitz	74	Director

Edward J. Richardson has been our Chairman of the Board and Chief Executive Officer since 1989. Mr. Richardson has been employed by us since 1961, holding several positions.

Bruce W. Johnson has been our President, Chief Operating Officer and Director since joining the Company in November 1996. From January 1992 until January 1996, he was President of Premier Industrial Corporation, a New York Stock Exchange listed company that was acquired by Farnell Ltd. in April 1996. Mr. Johnson was Executive Vice President of Premier from February 1987 until January 1992. Premier is a full service business to business supplier of electronic components for industrial and consumer products, essential maintenance and repair products for industrial, commercial, and institutional applications, and manufactures high-performance fire-fighting equipment.

Dario Sacomani has been our Senior Vice President and Chief Financial Officer since joining the Company in June, 2002. Mr. Sacomani was elected a Director effective as of August 6, 2002. Prior to joining the Company he was Senior Vice President, Chief Financial Officer and Treasurer of On Semiconductor in Phoenix, AZ since it was spun off from Motorola, Inc. in 1999. Prior to that he was employed by Motorola Inc. in management positions in finance and accounting, and since 1997 was Vice President, Semiconductor Components Group & Controller.

William G. Seils has been a Senior Vice President since January 1992 and has served as our General Counsel and Secretary since May 1986. Prior to joining the Company in 1986, Mr. Seils was a partner in the law firm of Arvey, Hodes, Costello and Burman, Chicago, Illinois.

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Robert L. Prince has been our Executive Vice President of Worldwide Sales since February 1998 and was Vice President of Worldwide Sales from November 1996 until February 1998. Mr. Prince was Vice President of Sales from November 1991 until November 1996 and held several other positions since joining the Company in November 1978.

Gregory J. Peloquin has been our Executive Vice President and General Manager of the RF & Wireless Communications Group since January 15, 2002, prior to that he was Vice President of the RF & Wireless Communications Group since November 1999 when he rejoined the Company. Mr. Peloquin first joined the Company in 1990 and held various positions in product management until 1997 when he left to join Motorola, Inc. as Director of Global Distribution for Wireless Infrastructure Division, which position he held until he rejoined the Company in 1999.

Murray J. Kennedy has been our Executive Vice President and General Manager of the Industrial Power Group since January 15, 2002, prior to that he was Vice President and General Manager of the Industrial Power Group since September 1999. Mr. Kennedy has held various industrial product management positions since joining the Company in March 1994. Prior thereto, he held positions with Litton Electron Devices Group and ITT Electron Devices Division.

Robert J. Heise has been our Vice President and General Manager of the Display Systems Group since April 2000. Mr. Heise joined the Company in October 1987 as European Systems and Operations Specialist and has held various other positions in Operations and Sales.

Pierluigi Calderone has been our Vice President and Director of European Operations since 1998. Mr. Calderone joined the Company in 1990 as District Sales Manager for Italy and served as Regional Sales Manager of Italy from 1991 until 1998.

Joseph C. Grill has been our Senior Vice President, Human Resources since 1999. Mr Grill was Vice President, Human Resources from 1994 to 1999 before being promoted to Senior Vice President. He has been an officer since 1987 and became an executive officer in 1992 as Vice President, Corporate Administration.

Kathleen M. McNally has been our Senior Vice President of Marketing Operations and Customer Support since July 2000. Ms. McNally served as Marketing Services Manager from 1986 until 1989 and was named Vice President and Corporate Officer of Marketing Operations in 1989. She has held various positions within Marketing since joining the Company in 1979.

Gint Dargis has been our Vice President and Chief Information Officer since March 2003. Since 1999, Mr. Dargis has held similar positions at Hub Group Distribution Services (distribution service e-business) and Publicis Frankel (a lead promotion and marketing agency). He joined Publicis Frankel as Director of Applications in 1997. Throughout his career, Mr. Dargis has pursued a career-long focus in information technology management with companies ranging from Ameritech to Alberto-Culver to Zurich Insurance.

Larry Duneske has been our Vice President of Worldwide Logistics since January 1999. Prior to that he held logistics management positions since joining the Company in December 1996. Prior to joining the Company, Mr. Duneske was the Director of Distribution with Newark Electronics and Simon & Schuster. In addition, he has held various strategic planning, operations management, and engineering positions with IBM, Ford Motor Company, and ROLM.

Arnold R. Allen has been a director since 1986. He joined the Company as our President and Chief Operating Officer in September 1985. He retired as President of the Company in September 1989. Since his retirement, Mr. Allen has been a management consultant to us and presently provides management consulting services to us. He served as Chairman of the Strategic Planning Committee of our board of directors from April 1991 until April 1992. He is also a director of WorkCare Group which provides products and consulting services related to employee support services.

Jacques Bouyer has been a director since 1990. He served as Chairman of the Board of Philips Components of Paris, France, engaged in the manufacture and sale of electronic components and a subsidiary of N.V. Philips of The Netherlands, from April 1, 1990 until January 1, 1994 when he became honorary Chairman of the Board and a Director until December 31, 1995. Mr. Bouyer also was Vice Chairman of the BIPE Institute for Economic and Market Research from 1981 until 1997. He has been a self-employed consultant in business strategies and management for JBC Consult-Paris since January 1990 until December 2002. He has been Chairman and a board member of Bethe1-Paris, a small internet start-up company since July 2002.

Scott Hodes has been a director since 1983. He is a partner at the law firm of Bryan Cave LLP since January 2004 and for more than five years prior to that he was a partner in the law firm of McGuire Woods Ross & Hardies and its predecessor Ross & Hardies.

Ad Ketelaars has been a director since 1996. He is the Chief Executive Officer of Philips Business Communications, a position he has held since March 2003. He also serves as an employee of certain of our foreign subsidiaries. He was Vice President and Managing Director of Richardson Electronics Europe from May 31, 1996 until July 10, 1998. Mr. Ketelaars has held several general management positions with companies such as Philips (Electronic Components), ITT (Cable TV), EnerTel (Telecom Operator), and Comsys (Voice Response Systems).

John R. Peterson has been a director since 1999. He is a Managing Director, the Head of Investment Banking, and a member of the Board of Directors of Cleary Gull Inc., an investment banking and investment consulting firm he joined in March 2002. Previously he was a Managing Director of Tucker Anthony Inc., the Co-Head of its Tucker Anthony Sutro Capital Markets ("TASCM") division, which provided investment banking services to the Company, and a member of its Operating Committee until November 2001. For a brief time in 2001 and 2002, he was a Managing Director of Riverview Financial Group, LLC, until it was acquired by Cleary Gull Inc. Mr. Peterson was the representative of Tucker Anthony Cleary Gull, a predecessor of TASCM, which was one of the lead underwriters for the Company's public offering of 3,600,000 shares of common stock, on May 1, 1998.

Harold L. Purkey has been a director since 1994. He was President of Forum Capital Markets from May 1997 until the company was acquired by First Union Securities in 2000, upon which he became the Managing Director of First Union Securities until his retirement in October 2001. Mr Purkey was Senior Managing Director of Forum Capital from May 1994 until May 1997. From July 1990 until February 1994, he was employed by Smith Barney Shearson, holding the position of Senior Managing Director and Manager of the Convertible Bond Department.

Samuel Rubinovitz has been a director since 1984. He was Executive Vice President of EG&G, Inc., a diversified manufacturer of instruments and components, from April 1989 until his retirement in January 1994. He is also a Director of LTX Corporation and a member of its Compensation Committee; and a director of Kronos, Inc and a member of its Compensation Committee.

Officers are elected annually at the time of the annual stockholders' meeting and serve until their respective resignation, death, or removal.

Committees of the Board of Directors

Our board of directors has six standing committees: the Executive Committee, Audit Committee, Executive Oversight Committee, Compensation Committee, Stock Option Committee, and Strategic Planning Committee.

The members of the Executive Committee are Messrs. Richardson (Chairman), Johnson, and Rubinovitz. This committee, during the interval between meetings of the board of directors, may

exercise all authority of the board in the management of the Company, except as otherwise provided in our By-laws or by applicable law.

The members of the Audit Committee are Messrs. Hodes, Peterson (Chairman), and Purkey. It meets for the purpose of reviewing and making recommendations regarding the engagement of an independent accounting firm for us; the scope of the independent accountants' audit procedures; the adequacy and implementation of internal controls; and such other matters relating to our financial affairs and accounts as required by law or regulation or as it deems desirable or in our best interest.

The members of the Executive Oversight Committee are Messrs. Hodes (Chairman) and Rubinovitz. It is charged with monitoring our government contracting activities and compliance with our code of conduct, and policies on stock trading and ethical business practices and reporting on the same.

The members of the Compensation Committee are Messrs. Bouyer, Hodes and Rubinovitz (Chairman). It is responsible for reviewing and establishing the compensation policy and guidelines for, and the compensation of, executive officers.

The members of the Stock Option Committee are Messrs. Bouyer and Rubinovitz. It administers our Incentive Stock Option Plan, Incentive Compensation Plan, 1994 Incentive Compensation Plan, 1996 Incentive Compensation Plan, 1996 Stock Purchase Plan, 1998 Incentive Compensation Plan, 1999 Stock Purchase Plan, and 2001 Incentive Compensation Plan including determining the employees to whom stock options, awards or cash bonuses are granted, the number of shares subject to each option or award, and the date or dates upon which each option or award may be exercised.

The members of the Strategic Planning Committee are Messrs. Bouyer (Chairman), Ketelaars, Peterson, and Rubinovitz. The committee is responsible for developing and reviewing our long term strategic plans.

Directors Compensation

Directors who are not our employees receive a quarterly fee of $3,000 and a fee of $500 for each board or committee meeting attended in person, plus travel expenses. Directors currently do not receive a fee for attending telephonic committee meetings.

In addition, each current Non-Employee Director, as referred to below, has received a grant of options to acquire 25,000 shares of our common stock, upon election to the board, at exercise prices ranging from $5.25 to $12.875 per share (the fair market value on the date of grant) under our Stock Option Plan for Non-Employee Directors, which we refer to as the "Directors' Plan," or our 1996 Stock Option Plan for Non-Employee Directors, which we refer to as the "1996 Directors' Plan."

In addition beginning in 1996, each current Non-Employee director receives a grant of an option under our 1996 Directors' Plan to acquire an additional 5,000 shares of our common stock each April beginning at the later of 1996 or five years after first elected as a director at exercise prices ranging from $5.375 per share to $12.875 per share. Under the Director's Plan and the 1996 Directors' Plan, options are granted to any director who is not an officer or employee of us or any of our subsidiaries or affiliates and who has not been such for a period of one year prior to his first being elected to the board, which we refer to as a "Non-Employee Director."

Options issued under the Directors' Plan and 1996 Directors' Plan are intended to be non-qualified stock options, not entitled to special tax treatment under Section 422A of the Internal Revenue Code of 1986, as amended, from time to time. The Directors' Plan and the 1996 Directors' Plan are administered by our board of directors, which has the sole responsibility for construing and interpreting those plans. Each option granted is evidenced by an option agreement between the optionee and us and, subject to the provisions of the Directors' Plan or the 1996 Directors' Plan, contains such terms and conditions as may be approved by the board. The purchase price of each share that may be purchased upon exercise of an option is the fair market value of the share on the date the option is granted. These options are exercisable for a period of approximately ten years. Under the Directors' Plan, any new Non-Employee Director elected or appointed was granted an option to purchase 25,000 shares of our common stock on the date such director took office. All options granted under the Directors' Plan vest over a five-year period from the date of grant with 20% of the option shares becoming first exercisable on each anniversary of the grant date.

The Directors' Plan was terminated with respect to future grants on April 10, 1996. Under the 1996 Directors' Plan, any new Non-Employee Director elected or appointed after April 30, 1996 is granted an option to purchase 25,000 shares of our common stock on the date such director takes office. All such options granted to new Non-Employee Directors vest over a five-year period from the date of grant with 20% of the option shares becoming first exercisable on the anniversary of the grant date. On each April 30 (after April 30, 1996), which is on or after the fifth anniversary of a Non-Employee Director's initial election as a director, such director is granted an additional option for 5,000 shares (subject to adjustment). Unless earlier terminated by the board, the 1996 Directors' Plan will terminate on June 1, 2006.

The Directors' Plan and the 1996 Directors' Plan provide, among other things, that the option of any optionee, whose status as a director terminates because of retirement, or removal from the board within one year after a change of control, as defined in such plans, will become fully exercisable with respect to all shares covered thereby and not previously purchased upon exercise of the option and will remain fully exercisable until the option expires by its terms.

Mr. Allen has non-qualified stock options for 11,781 shares of common stock and 11,782 shares of Class B common stock at an exercise price of $12.95 per share. Mr. Allen has been a management consultant to us and presently provides management consulting services to us. In fiscal 2003, he received payments of $14,000 from us. We expect to continue to retain Mr. Allen as a management consultant in fiscal 2004.

EXECUTIVE COMPENSATION

The following table sets forth the annual and long-term compensation for our chief executive officer and our four highest paid executive officers (named executive officers) during fiscal 2003, as well as the total compensation paid to each such individual for our two prior fiscal years.

Summary Compensation Table

					Long-Term Compensation			
		Annual Compensation			Awards		Payouts	
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Other Annual Compensation(1)**	**Restricted Stock Awards(2)**	**Stock Options/SARs**	**Long-Term Incentive Payouts**	**All Other Compensation(3)**
Edward J. Richardson CEO and Chairman of the Board	2003 2002 2001	$ 436,980 436,295 419,165	$ 38,600 354,680	$				$ 4,000 4,806 11,702
Bruce W. Johnson President and Chief Operating Officer	2003 2002 2001	391,263 372,397 351,318	80,575 123,448		$ 85,800 70,600 138,125	 25,000 50,000		4,000 4,806 11,702
Dario Sacomani Senior Vice President	2003 2002 2001	258,000	72,415		150,003	50,000		4,000

						Long-Term Compensation	
and Chief Financial Officer							
William G. Seils	2003	209,142	70,014				4,000
Senior Vice	2002	201,098	66,321			13,950	4,806
President,	2001	193,433	112,061			15,000	11,702
General Counsel and Secretary							
Robert L. Prince	2003	205,250	73,806				4,000
Executive Vice	2002	193,615	68,266			15,000	4,806
President,	2001	183,565	93,994			15,000	11,702
Worldwide Sales							

(1) While officers enjoy certain perquisites, such perquisites do not exceed the lesser of $50,000 or 10% of such officer's salary and bonus except as shown.

(2) The restricted stock issued to Bruce W. Johnson vested within one year and that issued to Mr. Sacomani vests in three equal annual installments. The number of shares and fair market value of unvested restricted stock as of May 31, 2003 held by Mr. Johnson was 2,000 shares and $18,100, respectively, and Mr. Sacomani was 9,399 shares and $85,061, respectively, based on a closing price of $9.05 per share of our common stock on The Nasdaq National Market on May 30, 2003, the last trading day prior to May 31, 2003. Holders of restricted stock are entitled to vote such shares and receive dividends.

(3) These amounts represent our discretionary and 401(k) matching contributions to our profit sharing plan.

Stock Option Awards

The following table sets forth certain information concerning options granted during fiscal 2003 to the named executive officers:

Option Grants in Last Fiscal Year

Name	Number of Securities Underlying Options Granted (1)(2)	% of Total Options Granted to Employees in FY03	Exercise or Base Price ($/sh)	Expiration Date	Fair Value at Grant Date(3)
Edward J. Richardson			$		$
Bruce W. Johnson					0
Dario Sacomani	50,000	100.0%	10.640	6/17/2012	227,619
William G. Seils					0
Robert L. Prince					0

(1)

Options granted become exercisable in 3 annual installments, beginning June 17, 2003.

(2)

Options granted under the option plan are exercisable for a period of up to ten years from the date of grant. Options terminate upon the optionee's termination of employment with the Company, except under certain circumstances.

(3)

The fair value of the option at the grant date was calculated using the Black-Scholes option-pricing mode, using the following assumptions: $.16 annual dividend per share, expected annual standard deviation of stock price of 50% and a risk-free interest rate of 4.0%.

Stock Option Exercises and Holdings

The following table summarizes options exercised during fiscal year 2003 and presents the value of the unexercised options held by the named executive officers as of May 31, 2003:

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

	Options Exercised(2)		Number of Securities Underlying Unexercised Options held at May 31, 2003		Value of Unexercised, In-the-money options at May 31, 2003(1)	
Name	Shares Acquired	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
Edward J. Richardson		$			$	$
Bruce W. Johnson			112,000	58,000	167,300	57,200
Dario Sacomani			0	50,000		
William G. Seils	10,000	21,080	56,790	27,160	79,202	37,558
Robert L. Prince			72,000	28,000	97,425	39,230

(1)

Represents the difference between $9.05 per share, which was the closing price of our common stock on May 31, 2003, and the exercise price of the options.

(2)

We permit broker-assisted cashless exercise of options by all optionees, including executive officers.

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Employment Agreements

Bruce W. Johnson became our president and chief operating officer on November 12, 1996 pursuant to an agreement dated as of November 7, 1996, which provides for an annual base salary subject to adjustment in certain circumstances, and a bonus if our earnings per share (excluding extraordinary charges) for the fiscal year exceeds our earnings per share for the prior fiscal year with the amount of such bonus, if any, determined by our actual earnings per share performance in relation to our budgeted earnings per share for the fiscal year. Mr. Johnson's cash bonus for fiscal 2003 was $80,575. The agreement also provides for payments to Mr. Johnson for one year equal to his salary and bonus and other employee benefits if his employment is terminated under certain circumstances, including, if he is terminated without cause or as a result of a change in control, or a breach by us. During his employment term and for two years after termination for any reason, Mr. Johnson is prohibited from contacting any individual or entity that was one of our customers or suppliers during his last 12 months of employment with us. The agreement is for an indefinite term, during which Mr. Johnson is employed on an at-will basis.

Pursuant to a three-year employment agreement dated May 31, 2002, Dario Sacomani became our senior vice president and chief financial officer. Mr. Sacomani's annual base salary is $280,000, and he receives a bonus of up to 50% of his base salary if performance goals are met. 50% of the bonus is determined by our earning performance and 50% is determined by Mr. Sacomani meeting goals for the year established by our chief executive officer. Mr. Sacomani also received an option for 50,000 shares (with an exercise price equal to 100% of fair market value on the date of grant) and a restricted stock award for 14,098 shares that will vest in equal amounts over the next three years. The agreement provides for payments to Mr. Sacomani for one year equal to his salary and bonus for the 12-month period prior to termination and immediate vesting of options and restricted stock awards in the event of termination of employment without cause or by Mr. Sacomani for certain specified reasons and if the termination by Mr. Sacomani occurs within two years of a change in control, the salary and bonus payment amount is doubled. The agreement also provides that Mr. Sacomani will be a member of our board of directors. During his employment term and, if we terminate Mr. Sacomani's employment for cause or he terminates his employment without good reason, for a period of one year after such termination, he is prohibited from competing against us.

Robert L. Prince is employed as our executive vice president of worldwide sales pursuant to an employment agreement dated June 6, 2000 pursuant to which he receives a base salary which is reviewed annually and a bonus of 50% of his base salary if performance goals established annually by us are met. Mr. Prince's base salary and cash bonus for fiscal 2003 were $205,250 and $73,806, respectively. The agreement provides for payment to Mr. Prince for one year equal to his salary and bonus for the 12-month period prior to termination in the event of termination of employment without cause or by Mr. Prince within 180 days after a sale to or merger into another company or a change in control. During his employment term and for one year after termination for any reason, Mr. Prince is prohibited from competing against us. The agreement is for an indefinite term, during which Mr. Prince is employed on an at-will basis.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee during fiscal 2003 were Jacques Bouyer, Scott Hodes, and Samuel Rubinovitz. The members of the Stock Option Committee during fiscal 2003 were Jacques Bouyer and Samuel Rubinovitz. See "Related Party Transactions" below.

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Related Party Transactions

Mr. Hodes is a partner at the law firm of Bryan Cave LLP, which firm is providing legal services to us in fiscal 2004. Mr. Hodes was a partner at the law firm of McGuire Woods Ross & Hardies, which firm provided legal services to us in fiscal 2001, 2002, 2003 and fiscal 2004.

On August 6, 2001, we loaned $75,000 to Bruce W. Johnson, president and chief operating officer and a director for personal financial purposes. This loan was repaid in full on May 13, 2002 together with interest at the rate of 5.45% per year.

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PRINCIPAL STOCKHOLDERS

Except as noted, the following table sets forth certain information, as of February 10, 2004, concerning the beneficial ownership of our common stock and Class B common stock, before and as adjusted to reflect the sale of shares of common stock offered in the concurrent offering, for:

- each of our named executive officers;
- each of our directors;
- all of our directors and executive officers as a group; and
- each person who is known by us to be the beneficial owner of more than 5% of our common stock.

Because Class B common stock is convertible into common stock the number of shares listed as owned under the common stock column in the table also includes the number of shares listed under the Class B common stock column. Except as otherwise indicated below, each of the entities or persons named in the table has sole voting and investment power with respect to all shares of common stock beneficially owned by him, her or it. To the extent any of the persons listed below purchase shares of common stock in the concurrent offering or exchange any of their outstanding debentures in the exchange offer, the number of shares they will be deemed to own will increase.

	Number of Shares of Common(1)(2)	Percent of Class Before Offering	Percent of Class After Offering	Number of Shares of Class B Common(3)	Percent of Class Before Offering	Percent of Class After Offering	Percent of Total Voting if Class voting not applicable: Before Offering (3)	Percent of Total Voting if Class voting not applicable: After Offering (3)
Edward J. Richardson	3,295,250(4)	23.09%	19.08%	3,157,442	99.56%	99.56%	74.05%	69.20%
Bruce W. Johnson	186,119(5)	1.67%	1.32%	0	*	*	*	*
Dario Sacomani	30,766(6)	*	*	0	*	*	*	*
Arnold R. Allen	25,000(7)	*	*	11,782	*	*	*	*
Jacques Bouyer	48,250(8)	*	*	0	*	*	*	*
Scott Hodes	73,424(9)	*	*	3,712	*	*	*	*
Ad Ketelaars	0	*	*	0	*	*	*	*
John R. Peterson	25,000(10)	*	*	0	*	*	*	*
Harold L. Purkey	47,000(11)	*	*	0	*	*	*	*
Samuel Rubinovitz	45,431(12)	*	*	825	*	*	*	*
William G. Seils	78,873(13)	*	*	0	*	*	*	*
Robert Prince	101,577(14)	*	*	0	*	*	*	*
Royce & Associates, LLC	2,102,889(15)	16.95%	13.06%	0	*	*	4.92%	4.60%
DePrince, Race & Zollo, Inc.	1,838,400(16)	13.05%	11.61%	0	*	*	4.30%	4.02%
Loomis Sayles & Company, L.P.	825,353(17)	6.52%	5.57%	0	*	*	1.92%	1.80%
T. Rowe Price Associates, Inc.	1,169,846(18)	9.20%	7.71%	0	*	*	2.74%	2.56%
Executive Officers and Directors as a group (20 persons)	4,171,016(19)	31.00%	25.30%	3,173,761(20)	99.71%	99.71%	76.19%	71.20%

(*) Less than 1%.

(1) Includes the number of shares listed under the column "Number of Shares of Class B Common."

(2) Except as noted, beneficial ownership of each of the shares listed is comprised of either sole investment and sole voting power, or investment power and voting power that is shared with the spouse of the director or officer, or voting power

that is shared with the trustee of our Employee Stock Ownership Plan, or "ESOP," with respect to shares identified as allocated to the individual's ESOP account.

(3) Common stock is entitled to one vote per share and Class B common stock is entitled to ten votes per share. Computation assumes that Class B common stock held or subject to acquisition pursuant to stock option is not converted.

(4) Includes 3,157,442 shares of common stock which would be issued upon conversion of Mr. Richardson's Class B common stock, 26,351 shares of common stock allocated to the account of Mr. Richardson under the ESOP and 43,797 shares of common stock which would be issued upon conversion of $926,000 principal amount of our 7$^{1}/_{4}$% debentures, and 47,444 shares of common stock which would be issued upon conversion of $854,000 principal amount of our 8$^{1}/_{4}$% debentures owned by Mr. Richardson and 9,271 shares of common stock which would be issued upon conversion of $196,000 principal amount of our 7$^{1}/_{4}$% debentures, and 4,611 shares of common stock which would be issued upon conversion of $83,000 principal amount of our 8$^{1}/_{4}$% debentures owned by a trust of which Mr. Richardson is a co-trustee and as co-trustee Mr. Richardson has shared investment and voting power with respect to these 8$^{1}/_{4}$% debentures. Does not include 18,035 shares of common stock held by William G. Seils as custodian for Mr. Richardson's sons, Alexander and Nicholas, 4,920 shares of common stock held by Mr. Richardson's wife or 6,333 shares of common stock which would be issued upon conversion of $114,000 principal amount of our 8$^{1}/_{4}$% debentures owned by Mr. Richardson's wife, as to which Mr. Richardson disclaims beneficial ownership. Mr. Richardson's business address is 40W267 Keslinger Road, P.O. Box 393, LaFox, Illinois 60147-0393.

(5) Includes 133,000 shares of common stock for which Mr. Johnson holds stock options exercisable within 60 days. Also includes 1,519 shares of common stock allocated to the account of Mr. Johnson under the ESOP.

(6) Includes 14,098 shares of common stock Mr. Sacomani holds as a Restricted Stock Award that vest in three annual installments beginning June 17, 2003. Also includes 16,666 shares of common stock as to which Mr. Sacomani holds stock options exercisable within 60 days and 2 shares of common stock allocated to the account of Mr. Sacomani under the ESOP.

(7) Includes 11,781 shares of common stock to which Mr. Allen holds stock options exercisable within 60 days and an additional 11,782 shares of common stock which would be issued upon conversion of 11,782 shares of Class B common stock as to which he also holds stock options exercisable within 60 days.

(8) Includes 40,000 shares of common stock to which Mr. Bouyer holds stock options exercisable within 60 days.

(9) Includes 3,712 shares of common stock which would be issued upon conversion of Mr. Hodes' Class B common stock. Also includes 35,000 shares of common stock to which Mr. Hodes holds stock options exercisable within 60 days.

(10) Includes 20,000 shares of common stock to which Mr. Peterson holds stock options exercisable within 60 days.

(11) Includes 20,000 shares of common stock as to which Mr. Purkey holds stock options exercisable within 60 days.

(12) Includes 825 shares of common stock which would be issued upon conversion of Mr. Rubinovitz' Class B common stock. Also includes 40,000 shares of common stock to which Mr. Rubinovitz holds stock options exercisable within 60 days.

(13) Includes 67,580 shares of common stock as to which Mr. Seils holds stock options exercisable within 60 days. Also includes 10,110 shares of common stock allocated to the account of Mr. Seils under the ESOP. Does not include shares held as custodian see footnote (4).

(14) Includes 83,000 shares of common stock as to which Mr. Prince holds stock options exercisable within 60 days. Also includes 7,055 shares of common stock allocated to the account of Mr. Prince under the ESOP.

(15) Charles M. Royce may be deemed a controlling person of Royce & Associates, Inc. ("Royce") and Royce Management Company ("RMC") and as such may be deemed to beneficially own the shares of common stock beneficially owned by Royce and RMC. Mr. Royce does not own any shares outside of Royce and RMC, and disclaims beneficial ownership of the shares held by Royce and RMC. On October 1, 2001, Royce & Associates, Inc., The Royce Funds' investment adviser, became an indirect wholly-owned subsidiary of Legg Mason, Inc., or "Legg Mason." On March 31, 2002, Royce & Associates, Inc. was merged into Royce Holdings, LLC, a wholly-owned subsidiary of Legg Mason, which then changed its name to Royce & Associates, LLC. As a result of this merger, Royce & Associates, LLC became The Royce Funds' investment adviser and a direct wholly-owned subsidiary of Legg Mason. Information disclosed in this table was obtained from a Schedule 13G filed by Royce with the SEC dated February 6, 2004. The address for Royce is 1414 Avenue of the Americas, New York, NY 10019.

(16) DePrince, Race & Zollo, Inc. is an investment advisor having sole power to vote and dispose of these shares. Information disclosed in this table was obtained from a Schedule 13G filed by DePrince, Race & Zollo with the SEC dated January 28, 2003. The address for DePrince, Race & Zollo, Inc. is 201 S. Orange Ave., Suite 850, Orlando, FL 32801.

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(17) Loomis Sayles & Company, L.P. ("Loomis"), an investment advisor, has the sole power to vote 591,295 and has sole power to dispose of 825,353 shares held by Loomis (6.52%). Clients of Loomis have the economic interest but no one client has such an interest relating to more than 5% of the class. Loomis indicates that the shares reported for Loomis relate to such party's ownership of the Company's outstanding debentures. Information disclosed in this table was obtained from a Schedule 13G for Loomis dated December 31, 2003. The address for Loomis is One Financial Center, Boston, MA 02111.

(18) Includes 221,146 shares of common stock which would be issued on conversion of our 7$^1/_4$% debentures. These securities are owned by various individuals and institutional investors including the T. Rowe Price Small Cap Value Fund, Inc. (which owns 949,146 shares, representing 9.20% of the shares outstanding), which T. Rowe Price Associates, Inc., or "Price Associates," serves as investment advisor with power to direct investments and/or power to vote the securities. For purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. Price Associates has sole dispositive power for the entire holding of 1,169,846 shares and has sole voting power for 220,700 shares of common stock and T. Rowe Price Small Cap Value Fund has sole voting power for the shares which it owns. Information disclosed in this table was obtained from a Schedule 13G for T. Rowe

Price Associates dated February 13, 2004. The address for T. Rowe Price Associates is 100 East Pratt Street, Baltimore, MD 21202.

(19) Does not include 18,035 shares of common stock held by certain members of such group as custodians under Uniform Gift to Minors Acts or 7,510 shares of common stock held by spouses of member of group. Includes 3,195,111 shares of common stock which would be issuable on conversion of Class B common stock, 751,561 shares of common stock issuable upon options exercisable within 60 days, 11,782 shares of common stock which would be issuable on conversion of Class B common stock issuable upon options exercisable within 60 days, 43,797 shares of common stock which would be issued upon conversion of $926,000 principal amount of our 7$^1/_4$% debentures, and 47,444 shares of common stock which would be issued upon conversion of $854,000 principal amount of our 8$^1/_4$% debentures. Includes 62,398 shares of common stock held in trust for the benefit of our profit sharing trust and ESOP allocated to the accounts of all executive officers and directors as a group; such shares are ratably forfeitable in the event the officer leaves our employ prior to completing six years of service.

(20) Includes 11,782 shares of Class B common stock issuable upon exercise of options exercisable within 60 days.

THE EXCHANGE OFFER

Purpose of the Exchange Offer

We believe that this exchange offer will strengthen our financial position, improve our capital structure and reduce our cash expenditures by:

- reducing our interest expense by up to $ per year and up to $ in the aggregate through the maturity of the 8$^1/_4$% debentures on June 15, 2006 and the maturity of the 7$^1/_4$% debentures on December 15, 2006;
- increasing the likelihood that those who participate in the exchange offer will elect to convert the notes into shares of our common stock due to the lower conversion price; and
- issuing the notes with a maturity date beyond that of the outstanding debentures, both series of which mature in 2006.

Both the 7$^1/_4$% debentures and the 8$^1/_4$% debentures mature in 2006. It is not likely that we will be able to generate sufficient cash to repay the outstanding debentures in full at maturity. Our unrestricted cash, cash equivalents and marketable investments were approximately $20.8 million at November 29, 2003.

The exchange offer is not being made to, nor will we accept tenders for exchange from, holders of outstanding debentures in any jurisdiction in which the exchange offer or the acceptance of it would not be in compliance with the securities or blue sky laws of such jurisdiction.

We are sending this prospectus, together with the letter of transmittal, to all beneficial holders known to us. The term "holder" with respect to the exchange offer means any person in whose name outstanding debentures are registered on the trustee's books or any other person who has obtained a properly completed bond power from the registered holder, or any person whose outstanding debentures are held of record by DTC, who desires to deliver the outstanding debentures by book-entry transfer at DTC.

Interests of Management in the Exchange Offer

Our executive officers and directors will be entitled to participate in the exchange offer and to receive the same consideration as the other holders of outstanding debentures. As of February 10, 2004, Mr. Richardson owned $926,000 principal amount of our 7$^1/_4$% debentures (convertible into 43,797 shares of common stock), and $854,000 principal amount of our 8$^1/_4$% debentures (convertible into 47,444 shares of common stock). As of November 29, 2003, we had $30,825,000 aggregate principal amount of our 7$^1/_4$% debentures outstanding and $40,000,000 aggregate principal amount of our 8$^1/_4$% debentures outstanding. Based on the aggregate principal amount of our 7$^1/_4$% debentures outstanding as of November 29, 2003, Mr. Richardson owns 3% of our outstanding 7$^1/_4$% debentures. Based on the aggregate principal amount of our 8$^1/_4$% debentures outstanding as of November 29, 2003, Mr. Richardson owns 2% of our outstanding 8$^1/_4$% debentures. Mr. Richardson is also co-trustee of a trust which owns $196,000 principal amount of our 7$^1/_4$% debentures (convertible into 9,271 shares of common stock) and $83,000 principal amount of our 8$^1/_4$% debentures (convertible into 4,611 shares of common stock). As co-trustee, Mr. Richardson has shared investment and voting power with respect to these 8$^1/_4$% debentures. Mr. Richardson's business address is 40W267 Keslinger Road, P.O. Box 393, LaFox, Illinois 60147-0393.

Terms of the Exchange Offer; Period for Tendering

This prospectus and the accompanying letter of transmittal contain the terms and conditions of the exchange offer. Based on the terms and conditions included in this prospectus and in the

accompanying letter of transmittal, which together constitute the exchange offer, we will accept for exchange any and all outstanding debentures which are validly tendered on or prior to the expiration date, unless you have previously withdrawn them.

When you tender to us outstanding debentures as provided below, our acceptance of the outstanding debentures will constitute a binding agreement between you and us upon the terms and subject to the conditions in this prospectus and in the accompanying letter of transmittal.

For each $1,000 principal amount of outstanding debentures which you validly tender and which we accept in the exchange offer, we will give you the same principal amount of notes. You may exchange some or all of your $7^1/_4$% debentures and your $8^1/_4$% debentures for notes. However, you must tender outstanding debentures in amounts that are integral multiples of $1,000 principal amount. Upon completion of the exchange offer, we will also pay accrued and unpaid interest up to the date of acceptance on outstanding debentures that we accept for exchange.

The exchange offer is conditioned on:

- the holders of 75% in principal amount of the outstanding debentures having tendered and not withdrawn their outstanding debentures at the expiration of the exchange offer; and
- the effectiveness of the registration statement of which this prospectus is a part.

Our obligation to accept outstanding debentures for exchange in the exchange offer is also subject to the conditions described under " Conditions to the Exchange Offer."

The exchange offer expires at 5:00 p.m., New York City time, on , 2004. We may, however, in our sole discretion, extend the period of time for which the exchange offer is open. References in this prospectus to the expiration date mean 5:00 p.m., New York City time, on , 2004 or, if we extend the exchange offer, the latest time and date to which we extend the exchange offer. See " Extending or Amending the Exchange Offer."

We will keep the exchange offer open for no fewer than 20 business days, or longer if required by applicable law, after the date that we first mail notice of the exchange offer to the holders of the outstanding debentures.

As of the date of the prospectus, $30,825,000 and $40,000,000 in aggregate principal amount of the $7^1/_4$% debentures and $8^1/_4$% debentures, respectively, are outstanding, all of which are held through a broker, dealer, commercial bank, trust company, or other nominee or held by the beneficial owners in certificated form. There will be no fixed record date for determining holders of the outstanding debentures entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the applicable rules and regulations of the SEC.

Extending or Amending the Exchange Offer

We expressly reserve the right, at any time, to extend the period of time during which the exchange offer is open, and thereby delay acceptance of any outstanding debentures, by giving oral or written notice of an extension to the Exchange Agent and notice of that extension to the holders as described below. During any extension, all outstanding debentures previously tendered will remain subject to the exchange offer unless withdrawal rights are exercised. Any outstanding debentures not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of the exchange offer.

We expressly reserve the right to amend or terminate the exchange offer at any time prior to the expiration date, and not to accept for exchange any outstanding debentures that we have not yet accepted for exchange, if any of the conditions of the exchange offer specified below under " Conditions to the Exchange Offer" are not satisfied.

We will give oral or written notice of any extension, amendment, waiver, termination or non-acceptance described above to holders of the outstanding debentures promptly. If we amend this exchange offer in any respect or waive any condition to the exchange offer, we will give written notice of the amendment or waiver to the Exchange Agent and will make a public announcement of the amendment or waiver as promptly as practicable afterward. If we extend the expiration date, we will give notice by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date. If we amend the exchange offer in a manner that we determine constitutes a material change, we will promptly disclose that amendment by means of a prospectus supplement that we will distribute to the registered holders of the outstanding debentures, and we will extend the exchange offer for a period of time that we will determine, depending on the significance of the amendment and the manner of disclosure to the registered holders. Without limiting the manner in which we may choose to make any public announcement and subject to applicable law, we will have no obligation to publish, advertise or otherwise communicate any public announcements other than by issuing a timely release to the Dow Jones News Service or any other appropriate news agency.

Important Reservation of Rights Regarding the Exchange Offer

You should note that:

- all questions as to the validity, form, eligibility, time of receipt and acceptance of outstanding debentures tendered for exchange will be determined by us in our sole discretion, and our determination will be final and binding.

- we reserve the absolute right to reject any and all tenders of any particular outstanding debentures not validly tendered or not to accept any particular outstanding debentures the acceptance of which might, in our judgment or the judgment of our counsel, be unlawful.

- we also reserve the absolute right to waive any defects or irregularities as to any particular outstanding debentures either before or after the expiration date, including the right to waive the ineligibility of any holder who seeks to tender outstanding debentures in the exchange offer. If we waive a condition with respect to any particular noteholder, we will waive it for all noteholders. Unless we agree to waive any defect or irregularity in connection with the tender of outstanding debentures for exchange, you must cure any defect or irregularity on or before the expiration date.

- our interpretation of the terms and conditions of the exchange offer either before or after the expiration date shall be final and binding on all parties.

- neither we, the Exchange Agent nor any other person will be under any duty to give notification of any defect or irregularity with respect to any tender of outstanding debentures for exchange, nor will any of them incur any liability for failure to give any notification.

- our board of directors and officers do not make any recommendation to the holders of outstanding debentures as to whether or not to tender all or any portion of their outstanding debentures in the exchange offer. In addition, we have not authorized anyone to make any recommendation. You must make your own decision whether to tender your outstanding debentures in the exchange offer and, if so, the amount of your outstanding debentures to tender.

Conditions to the Exchange Offer

We will accept for exchange all outstanding debentures validly tendered and not validly withdrawn if at least 75% of outstanding debentures are tendered for exchange before the expiration of the exchange offer. We will not be required to accept for exchange any outstanding debentures and may terminate, amend or extend the exchange offer before the acceptance of the outstanding debentures, if, on or before the expiration date:

holders of at least 75% of the principal amount of outstanding debentures have not validly tendered and not withdrawn their outstanding debentures;

we or any of our respective subsidiaries do not receive or obtain any consent, authorization, approval or exemption of or from any governmental authority that may be required or advisable in connection with the completion of this exchange offer, including that the registration statement of which this prospectus is a part, has been declared, or will not continue to be, effective;

any action, proceeding or litigation seeking to enjoin, make illegal, delay the completion of or challenge in any respect the exchange offer, or otherwise relating in any manner to the exchange offer, is instituted or threatened;

any order, stay, judgment or decree is issued by any court, government, governmental authority or other regulatory or administrative authority and is in effect or any statute, rule, regulation, governmental order or injunction shall have been proposed, enacted, enforced or deemed applicable to the exchange offer, any of which would or might restrain, prohibit or delay completion of the exchange offer or impair the contemplated benefits of the exchange offer, to us;

any tender or exchange offer, other than this exchange offer, with respect to some or all of the outstanding debentures, or any merger, acquisition or other business combination proposal involving us or a substantial portion of our assets, will have been proposed, announced or made by any person or entity;

there has occurred any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States;

there is a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States;

there is any change in the general political, market, economic or financial conditions in the United States or abroad, including but not limited to an act of terror, that could, in our reasonable judgment, have a material adverse effect on our business, condition (financial or other), income, operations or prospects or otherwise materially impair in any way our contemplated future conduct;

in the case of any of the foregoing existing at the time of the commencement of the exchange offer, a material acceleration or worsening thereof; or

a material adverse change in our financial condition or business prospects or an unforeseeable event that makes completion of the exchange offer inadvisable.

The conditions listed above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any of these conditions. On or before the expiration date, we may waive these conditions in our sole discretion in whole or in part at any time and from time to time. Our failure at any time to exercise any of the above rights will not be considered a waiver of that right, and these rights will be considered to be ongoing rights which may be asserted, before the expiration date, at any time and from time to time.

If we determine in our reasonable discretion that any of the conditions are not satisfied, we may:

refuse to accept any outstanding debentures, return all tendered outstanding debentures to the tendering holders, and terminate the exchange offer;

extend the exchange offer and retain all outstanding debentures tendered before the previously scheduled expiration of the exchange offer, subject, however, to the rights of holders to withdraw their outstanding debentures (" Withdrawal Rights" below); or

waive unsatisfied conditions relating to the exchange offer and accept all validly tendered outstanding debentures that have not been validly withdrawn; or

amend the terms of the exchange offer.

If we waive or amend any material condition to, or terms of, the offer, we will extend the exchange offer by at least five business days, as required by Exchange Act Rule 13e-4(e)(3).

Procedures for Tendering

What to submit and how

If you, as the registered holder of either or both $7^{1}/_{4}$% debentures or $8^{1}/_{4}$% debentures, wish to tender your outstanding debentures for exchange in the exchange offer, you must transmit a validly completed and duly executed letter of transmittal (or agent's message in lieu thereof as described in " Book-Entry Transfer") to J.P. Morgan Trust Company, National Association, as Exchange Agent at the address set forth below under " Exchange Agent" on or prior to the expiration date.

In addition,

(1) a timely confirmation of a book-entry transfer of outstanding debentures, if this procedure is available, into the Exchange Agent's account at DTC using the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the expiration date; or

(2) you must comply with the guaranteed delivery procedures described below.

If you validly tender your outstanding debentures as indicated above and you do not withdraw your tender of outstanding debentures before the expiration date, it will indicate an agreement between you and our company that you have agreed to surrender the outstanding debentures in accordance with the terms and conditions in this prospectus and the letter of transmittal.

The method of delivery of outstanding debentures, letters of transmittal and notices of guaranteed delivery is at your election and risk. If delivery is by mail, we recommend that you use registered mail, properly insured, with return receipt requested. In all cases, sufficient time should be allowed to assure timely delivery to the Exchange Agent before the expiration date. No letters of transmittal or outstanding debentures should be sent to us.

If you are a beneficial owner of the outstanding debentures and you hold those outstanding debentures through a broker, dealer, commercial bank, trust company, or other nominee and you want to exchange your outstanding debentures, you should contact that intermediary promptly and instruct it to surrender the outstanding debentures on your behalf.

How to sign your letter of transmittal and other documents

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the outstanding debentures being surrendered for exchange are tendered either:

(1) by a registered holder of the outstanding debentures who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal; or

(2) for the account of an eligible institution.

If signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantees must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Exchange Agent, which requirements include membership or participation in the Security Transfer Agent Medallion Program, referred to in this prospectus as STAMP, or any other "signature guarantee program" as may be determined by the Exchange Agent in addition to, or in substitution for, STAMP, all in accordance with the Exchange Act.

If the letter of transmittal or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers or corporations or others acting in a fiduciary or representative capacity, the person should so indicate when signing and, unless waived by us, proper evidence satisfactory to us of its authority to so act must be submitted.

Book-Entry Transfer

The Exchange Agent will make a request to establish an account with respect to the outstanding debentures at DTC for purposes of the exchange offer within two business days after the date of this prospectus. Any financial institution that is a participant in DTC's systems may make book-entry delivery of outstanding debentures by causing DTC to transfer outstanding debentures into the Exchange Agent's account in accordance with DTC's Automated Tender Offer Program, which we refer to as "ATOP," procedures for transfer. However, the exchange for the outstanding debentures so tendered will only be made after timely confirmation of book-entry transfer of outstanding debentures into the Exchange Agent's account, and timely receipt by the Exchange Agent of an agent's message, transmitted by DTC and received by the Exchange Agent and forming a part of a book-entry confirmation. The agent's message must state that (1) DTC has received an express acknowledgment from the participant tendering outstanding debentures that are the subject of that book-entry confirmation, (2) that the participant has received and agrees to be bound by the terms of the letter of transmittal, and (3) that we may enforce the agreement against that participant.

If your outstanding debentures are held through DTC, you must complete a form called "Instructions to Registered Holder and/or Book-Entry Participant," which will instruct the DTC participant through whom you hold your outstanding debentures of your intention to tender or not tender your outstanding debentures. Please note that delivery of documents to DTC in accordance with its procedures does not constitute delivery to the Exchange Agent and we will not be able to accept your tender of outstanding debentures until the Exchange Agent receives a letter of transmittal with any required signature guarantees (or an agent's message in lieu thereof) and a book-entry confirmation from DTC with respect to your outstanding debentures before the expiration date unless the guaranteed delivery procedures described below are complied with. A copy of that form is available from the Exchange Agent.

Except as described under "Description of Outstanding Debentures Book-Entry Securities," we have arranged for the notes to be issued in the form of global notes registered in the name of DTC or its nominee and each holder's interest in it will be transferable only in book-entry form through DTC.

Guaranteed Delivery Procedures

If you wish to tender your outstanding debentures and (1) your outstanding debentures are not immediately available so that you can meet the expiration date deadline, (2) you cannot deliver your outstanding debentures or other required documents to the Exchange Agent before the expiration date, or (3) the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if:

(1) you tender your outstanding debentures through an eligible institution;

(2) prior to the expiration date, the Exchange Agent receives, by facsimile transmission, mail or hand delivery, from that eligible institution a properly completed and duly executed letter of transmittal and notice of guaranteed delivery, substantially in the form provided by us and stating:

- the name and address of the holder of outstanding debentures,
- the name(s) in which the outstanding debentures are registered,
- the certificate number(s) of the outstanding debentures, if applicable,
- the principal amount of outstanding debentures tendered, and
- that the tender is being made by delivering that notice and guaranteeing that within three trading days for The Nasdaq National Market after the expiration date, confirmation of a book-entry transfer, with an agent's message, of the tendered outstanding debentures will be delivered to the Exchange Agent; and

(3) confirmation of a book-entry transfer is received by the Exchange Agent within three trading days for The Nasdaq National Market after the expiration date.

Acceptance of Outstanding Debentures and Delivery of Notes

Once all of the conditions to the exchange offer are satisfied or waived, we will accept, promptly after the expiration date, all outstanding debentures validly tendered and will issue the notes. See " Conditions to the Exchange Offer." For purposes of the exchange offer, our giving of oral or written notice of our acceptance to the Exchange Agent will be considered our acceptance of the exchange offer.

In all cases, we will issue notes in exchange for outstanding debentures that are accepted for exchange only after timely receipt by the Exchange Agent of:

- a book-entry confirmation of transfer of outstanding debentures into the Exchange Agent's account at DTC using the book-entry transfer procedures described below, and
- a properly completed and duly executed letter of transmittal (or agent's message in lieu thereof.)

We will have accepted validly tendered outstanding debentures if and when we have given oral or written notice to the Exchange Agent. The Exchange Agent will act as agent for the tendering holders for the purposes of receiving the notes from us, and will make the exchange on, or promptly after, the expiration date. Following this exchange the holders in whose names the notes will be issuable upon exchange will be deemed the holders of record of the notes.

The reasons we may not accept tendered outstanding debentures are:

- the outstanding debentures were not validly tendered pursuant to the procedures for tendering. See " Procedures for Tendering;"

- we determine in our reasonable discretion that any of the conditions to the exchange offer have not been satisfied. See " Conditions to the Exchange Offer;"
- a holder has validly withdrawn a tender of outstanding debentures. See " Withdrawal Rights;" or
- we have, prior to the expiration date of the exchange offer, delayed or terminated the exchange offer for any of the reasons set forth under the caption " Conditions to the Exchange Offer." See also " Terms of the Exchange Offer; Period for Tendering."

If we do not accept any tendered outstanding debentures for any reason, we will return any unaccepted or non-exchanged outstanding debentures tendered promptly after the expiration or termination of the exchange offer. Outstanding debentures which are not tendered for exchange or are tendered but not accepted in connection with the exchange offer will remain outstanding and remain subject to the old indenture. See "Concurrent Offering."

Withdrawal Rights

You may withdraw your tender of outstanding debentures at any time on or prior to the expiration date. You may also withdraw your tender if we have not accepted your outstanding debentures for payment after the expiration of 40 business days from the commencement of the exchange offer.

For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent at one of the addresses listed below under "Exchange Agent." Any notice of withdrawal must:

- specify the name of the person having tendered the outstanding debentures to be withdrawn;
- identify the outstanding debentures to be withdrawn, including the certificate number(s), if applicable, and the principal amount of the outstanding debentures to be withdrawn;
- contain a statement that the holder is withdrawing the election to have the outstanding debentures exchanged;
- be signed by the holder in the same manner as the original signature or the letter of transmittal used to surrender the outstanding debentures;

specify the name in which any outstanding debentures are to be registered, if different from that of the registered holder of the outstanding debentures and, unless the outstanding debentures were tendered for the account of an eligible institution, the signatures on the notice of withdrawal must be guaranteed by an eligible institution; and

if outstanding debentures have been tendered using the procedure for book-entry transfer described above, the name and number of the account at DTC to be credited with the withdrawn outstanding debentures, and otherwise comply with the procedures of that facility.

Please note that all questions as to the validity, form, eligibility and time of receipt of notices of withdrawal will be determined by us, and our determination will be final and binding on all parties. Any outstanding debentures so withdrawn will be considered not to have been validly tendered for exchange for purposes of the exchange offer.

If you have validly withdrawn outstanding debentures and wish to re-tender them, you may do so by following one of the procedures described under " Procedures for Tendering" above at any time on or prior to the expiration date.

Dealer Manager

Subject to the terms and conditions set forth in the Dealer Manager Agreement dated as of January 22, 2004, between us and Jefferies & Company, Inc., which we refer to as "Jefferies," we retained Jefferies to act as the Dealer Manager in connection with the exchange offer. Jefferies will receive a fee in the manner described below for its services as Dealer Manager, payable if and when the exchange offer is completed. In addition, we will reimburse Jefferies for all of its reasonable fees, disbursements and out-of-pocket expenses (including, without limitation, the reasonable fees and disbursements of its counsel, travel and lodging expenses and other customary expenditures) incurred in connection with the exchange offer, whether or not the exchange offer is consummated.

We will pay Jefferies, for its services as the Dealer Manager for the exchange offer, a cash fee equal to 1.0% of the aggregate principal amount of all outstanding debentures tendered and accepted by us in the exchange offer. In addition, Jefferies is acting as underwriter in connection with the concurrent offering of common stock.

Notwithstanding any of the foregoing, we have agreed with Jefferies that the fee payable to Jefferies, if either the exchange offer or the concurrent offering of common stock is consummated, will not be less than $1,000,000. If we pay Jefferies a fee of $1,000,000 as a result of this minimum fee arrangement, the difference between $1,000,000 and the fees otherwise payable to Jefferies pursuant to the percentage-based formula described above will be credited against any fee payable to Jefferies in connection with any future investment banking services provided to us in a subsequent equity or equity linked transaction commenced on or prior to the six month date following the expiration or termination of the existing agreement. The reimbursement of expenses for both the exchange offer and the concurrent offering will not exceed $200,000, unless expenses in excess of that amount are approved in writing in advance by us.

We have agreed to indemnify Jefferies against specified liabilities relating to or arising out of the exchange offer, including civil liabilities under the federal securities laws, and to contribute to payments that Jefferies may be required to make in respect thereof. However, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and, therefore, may be unenforceable. Jefferies may from time to time hold outstanding debentures, notes and our common stock in its proprietary accounts, and to the extent it owns outstanding debentures in these accounts at the time of the exchange offer, Jefferies may tender these outstanding debentures in the exchange offer.

The Dealer Manager and its affiliates may provide in the future investment banking, commercial lending and financial advisory services to us and our affiliates in the ordinary course of business. Jefferies would receive customary fees for these services. We will not pay any fees or commissions to any broker, dealer or other person (other than the Dealer Manager, the Information Agent and the Exchange Agent) in connection with the solicitation of tenders of outstanding debentures.

None of the Dealer Manager, the Exchange Agent, nor the Information Agent assumes any responsibility for the accuracy or completeness of the information contained in this prospectus regarding the Company or for any failure to disclose events that may affect the significance or accuracy of the information.

The Dealer Manager will assist with the mailing of this prospectus and related materials to holders of outstanding debentures, respond to inquiries of and provide information to holders of outstanding debentures in connection with the exchange offer and provide other similar advisory services as we may request from time to time.

In addition to the Dealer Manager, our directors, officers and employees, who will not be specifically compensated for such services, may contact holders personally or by mail, telephone, telex

or telegraph regarding the exchange offer and may request brokers, dealers and other nominees to forward this prospectus and related materials to beneficial owners of outstanding debentures.

We are not aware of any jurisdiction where the making of the exchange offer is not in compliance with the laws of that jurisdiction. If we become aware of any jurisdiction where the making of the exchange offer would not be in compliance with its laws, the exchange offer will not be made to (nor will tenders of outstanding debentures be accepted from or on behalf of) a holder residing in the jurisdiction in which the making or acceptance of the exchange offer would not be in compliance with the laws of that jurisdiction.

Information Agent

We have retained Bondholder Communications Group to act as the Information Agent for the exchange offer. The Information Agent will assist with the mailing of this prospectus and related materials to holders of outstanding debentures, respond to inquiries of and provide information to holders of outstanding debentures in connection with the exchange offer, and provide other similar advisory services as we may request from time to time. The Information Agent may contact holders of outstanding debentures by mail, telephone, facsimile transmission and personal interviews and may request brokers, dealers and other nominee stockholders to forward materials relating to the exchange offer to beneficial owners. Requests for additional copies of this prospectus, the letter of transmittal and any other required documents should be directed to the Information Agent at one of its addresses and telephone numbers set forth on the back cover of this prospectus.

Fees and Expenses

In addition to the reimbursement of the expenses to the Dealer Manager pursuant to the Dealer Manager Agreement as described above, we will pay the Exchange Agent and the Information Agent reasonable and customary fees for their services (and will reimburse them for their reasonable out-of-pocket expenses in connection therewith), and will pay brokerage houses and other custodians, nominees and fiduciaries their reasonable out-of-pocket expenses incurred in connection with forwarding copies of this prospectus and related documents to the beneficial owners of the outstanding debentures and in handling or forwarding tenders for exchange. In addition, we will indemnify the Dealer Manager, the Exchange Agent and the Information Agent against certain liabilities in connection with their services, including liabilities under the federal securities laws.

We will pay all transfer taxes, if any, applicable to the exchange of outstanding debentures pursuant to the exchange offer. If, however, any notes or tendered outstanding debentures not accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the outstanding debentures or if notes are to be registered in the name of any person other than the person signing the letter of transmittal or, in the case of book-entry transfer, transmitting instructions through DTC's ATOP procedures or if a transfer tax is imposed for any reason other than the exchange of outstanding debentures pursuant to the exchange offer, then the amount of any such transfer tax (whether imposed on the registered holder or any other person) will be payable by the tendering holder.

Neither the Information Agent nor the Exchange Agent has been retained to make solicitations or recommendations. The fees they receive will not be based on the principal amount of outstanding debentures tendered pursuant to the exchange offer.

The estimated cash expenses to be incurred in connection with the exchange offer will be paid by us. We estimate these expenses to be approximately $ million in the aggregate, assuming all of the outstanding debentures are tendered into the exchange offer.

Exchange Agent

We have appointed J.P. Morgan Trust Company, National Association as the Exchange Agent for the exchange offer. All executed letters of transmittal should be directed to the Exchange Agent at one of the addresses set forth below. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery should be directed to the Exchange Agent, addressed as follows:

Deliver to:

J.P. Morgan Trust Company, National Association
Institutional Trust Services
Attn: Frank Ivins
2001 Bryan Street, 9th Floor
Dallas, Texas 75201

By Hand or Overnight Courier:

J.P. Morgan Trust Company, National Association
Institutional Trust Services
Attn: Frank Ivins
2001 Bryan Street, 9th Floor
Dallas, Texas 75201

By Mail:

J.P. Morgan Trust Company, National Association
Institutional Trust Services
Attn: Frank Ivins
P.O. Box 2320
Dallas, Texas 75221-2320

Facsimile Transmissions:
(By Eligible Institutions Only)
Fax: 214-468-6494

To Confirm by Telephone:

Telephone: 1-800-275-2048 (Investor Relations Number)

Delivery to an address other than as listed above or transmission of instructions via facsimile other than as listed above does not constitute a valid delivery.

Transfer Taxes

Holders who tender their outstanding debentures for exchange will not be obligated to pay any transfer taxes, except that holders who instruct us to register notes in the name of, or request that outstanding debentures not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder, will be responsible for the payment of any applicable transfer tax. See " Fees and Expenses."

No Recommendation

We are not making any recommendation regarding whether you should tender your outstanding debentures in the exchange offer, and, accordingly, you must make your own determination as to whether to tender your outstanding debentures for exchange in the exchange offer after reading this prospectus and consulting with your own advisors, if any, based on your own financial position and requirements.

Consequences of Failure to Tender Outstanding Debentures

Issuance of the notes in exchange for the outstanding debentures under the exchange offer will be made only after timely receipt by the Exchange Agent of such outstanding debentures, a properly completed and duly executed letter of transmittal (or agent's message in lieu thereof) and all other required documents. Therefore, holders desiring to tender outstanding debentures in exchange for notes should allow sufficient time to ensure timely delivery. We are under no duty to give notification of defects or irregularities of tenders of outstanding debentures for exchange.

To the extent that outstanding debentures are tendered and accepted in connection with the exchange offer, any trading markets for the remaining outstanding debentures could be adversely affected. See "Risk Factors Relating to the Exchange Offer."

To the extent that any outstanding debentures remain outstanding following completion of the exchange offer, they will remain our obligations. See "Concurrent Offering."

Dissenters' Rights of Appraisal

Under Delaware General Corporation Law, holders of our outstanding debentures do not have the right to petition a court to review the fairness of the consideration we are offering in this exchange.

CONCURRENT OFFERING

Concurrently with the exchange offer, we are separately offering to sell 3,000,000 shares of our common stock or 3,450,000 if the underwriters fully exercise their over-allotment option. If that offering is successfully completed, we intend to use the net proceeds from the sale of our shares of common stock in that offering to redeem some or all of our outstanding debentures which remain outstanding after the expiration of the exchange offer and to repay borrowings under our credit agreement. The concurrent offering is being made by a separate prospectus. Neither offering is contingent upon the closing of the other offering.

DESCRIPTION OF NOTES

We will issue the notes under an indenture between us and J.P. Morgan Trust Company, National Association, as trustee. We are summarizing certain important provisions of the notes and the indenture. You should refer to the specific terms of the indenture for a complete statement of the terms of the indenture and the notes. See "Where You Can Find More Information." When we use capitalized terms that we do not define here, those terms have the meanings given in the indenture. Unless otherwise indicated, when we use references to Sections or defined terms, we mean Sections or defined terms in the indenture. As used in this "Description of Notes" section, references to "Richardson," "we," "our," or "us" refer solely to Richardson Electronics, Ltd. and not to our subsidiaries.

General

The notes will be our unsecured obligations and will be subordinate and junior in priority to our Senior Indebtedness (as defined below) and will rank senior to all of our other currently outstanding unsecured obligations, as described under "Subordination." The notes will mature on , 2011 unless earlier converted, redeemed, or repurchased and will be issued in denominations of $1,000 and integral multiples thereof. References to "a note" or "each note" in this prospectus refer to $1,000 principal amount of the notes. The notes will be limited to $ million aggregate principal amount.

The notes may be converted into shares of our common stock at an initial conversion price of $. per share of common stock. The conversion price is subject to adjustment if certain events occur, as described below. Upon conversion of a note, you will receive only shares of our common stock and a cash payment to account for any fractional share. You will not receive any cash payment for interest accrued and unpaid to the conversion date except under the limited circumstances described below.

The notes will be issued under an indenture dated as of , 2004 between us and the trustee. The indenture does not limit the amount of debt, including Senior Indebtedness, that we may issue or incur. The indenture is subject to and governed by the Trust Indenture Act of 1939, as amended.

The indenture will not contain any financial covenants or restrictions on the payment of dividends, the incurrence of additional indebtedness or the issuance or repurchase of securities by us. By contrast, the old indentures restrict dividend payments and repurchases of securities by us. See "Description of Outstanding Debentures Limitations on Dividends and Stock Purchases." The indenture will contain no covenants or other provisions to protect holders of the notes in the event of a highly leveraged transaction or a change in control, except to the extent described below under " Repurchase at Option of Holder." By contrast, the old indentures contain restrictions on mergers, acquisitions and transfers of all or substantially all of our assets. See "Description of Outstanding Debentures Consolidation, Merger, Conveyance, Transfer or

Assumption."

The notes will be issued only as fully registered securities in the name of Cede & Co. as nominee for DTC. A detailed description of the DTC book-entry system and the circumstances in which you would be entitled to receive physical delivery of notes are set forth below under " Book-Entry Securities."

Ranking

The notes are our unsecured obligations. The payment of principal of, and interest on, the notes, as set forth in the indenture, will rank senior to the following:

- the $7^1/_4$% debentures;
- the $8^1/_4$% debentures, which are also senior to the $7^1/_4$% debentures; and
- future indebtedness that is expressly made subordinate to the notes.

The notes are subordinated to our Senior Indebtedness (as defined below), including amounts borrowed under our credit agreement and future indebtedness that is not expressly subordinate to the notes. As of November 29, 2003, we