RICHARDSON ELECTRONICS LTD/DE
Form S-4/A
May 17, 2004

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 17, 2004

Registration Statement No. 333-113569

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

AMENDMENT NO. 3
TO
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 ____

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 MAY 17, 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 (CUSIP No. 763165AB3) and
8 1/4% Convertible Senior Subordinated Debentures due 2006 (CUSIP No. 763165AC1)

We are offering to exchange $1,000 principal amount of our new % 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 the "8 1/4% debentures" and, together with the 7 1/4% debentures, 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. On or 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. On or 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, but excluding 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 80 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 May 13, 2004, the last reported sale price of our common stock on The Nasdaq National Market was $10.82 per share.

We are also 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. That offering is being made pursuant to a separate prospectus. See "Common Stock Offering."

See the information under "Risk Factors" beginning on page 19 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 (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 , 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 our "Class B common stock" mean our Class B 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 the notes for our outstanding $7^{1}/_{4}$% debentures and $8^{1}/_{4}$% 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 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 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 your outstanding debentures prior to the expiration of the exchange offer by sending a written notice of withdrawal to the Exchange Agent 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. You may access the documents online at *www.bondcom.com/richardson*.

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 and 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.

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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.

Earnings Guidance

Our bookings (which we define to mean purchase orders which we have received or communicated from a customer) and backlog (which we define to mean bookings remaining and scheduled to be shipped within the next fiscal quarterly period) have continued to strengthen throughout the current fiscal year, primarily associated with wireless growth and broad based increases in industrial demand for power products. At the end of the third quarter of fiscal year 2004, backlog scheduled for shipment within the next three months has increased for three consecutive quarters and bookings have increased for four consecutive quarters. Based on an assumed continuation of these trends and sales of new products, we currently anticipate growth in revenue and earnings for fiscal year 2005. We currently estimate that revenues will range from $565 million to $590 million and earnings per diluted share will range from $0.60 to $0.70, excluding the effect of the issuance of shares in the common stock offering and the consummation of the exchange offer.

In developing these estimates, we gave some weight to the amounts of recent percentage increases in backlog and bookings, which exceeded the anticipated growth rates in revenues and earnings per diluted share for fiscal year 2005. Bookings in the third quarter of fiscal year 2004 increased approximately 25% from the third quarter of fiscal year 2003. Backlog at the end of the third quarter of fiscal year 2004 increased approximately 45% compared to the prior year period end. However, due largely to the early stage of the possible economic recovery, and the fact that backlog has historically represented less than one-third of revenues in any fiscal quarter, we do not believe that the actual percentage increases in bookings and backlog are likely to result in comparable increases in annual revenues. Instead, we view the increases in bookings and backlog as providing an indication there is a reasonable possibility that the revenues will approximate their average historical seasonal pattern, based on the period from fiscal 1993 through 2003. We experience moderate seasonality in our business and typically realize lower sequential revenues in our first and third fiscal quarters, reflecting decreased transaction volume in the summer and holiday months. Conversely, we typically realize higher sequential revenues in the second and fourth fiscal quarters due to the absence of holidays and vacations. On an average sequential quarter basis during the period from fiscal 1993 through 2003, our first quarter revenues decreased approximately 5%, our second quarter revenues increased approximately 10%, our third quarter revenues decreased approximately 3% and our fourth quarter revenues increased approximately 9%. In fiscal year 2004, the sequential third quarter sales decline was 0.6%. In any event, our estimates are subject to risks and uncertainties that could cause actual results to differ materially from those estimates, as described in "Risk Factors" and "Forward-Looking Statements."

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.

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 hold our convertible debt securities will elect to convert into shares of our common stock due to the lower conversion price of the notes, as compared to the outstanding debentures; 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 $19.7 million at February 28, 2004.

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 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, dealer, bank, trust company or other nominee or in "street name," you will need to follow the instructions in this document on how to instruct your nominee 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. 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.

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 80 through 84 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, together with its nominee, 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.

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 under "The Exchange Offer Extending or Amending 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 under "The Exchange Offer Conditions to the Exchange Offer" are not satisfied.

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 $1.0 million, not including the payment of accrued and unpaid interest as described above.

Risk Factors

You should consider carefully the matters described under the caption "Risk Factors" beginning on page 19, 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 the Exchange Offer

Neither we nor our directors or officers are making any recommendation as to whether you should tender or refrain from tendering your outstanding debentures in the 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 the 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 the exchange offer, as well as consulting with your advisors, if any.

Consequences of Not Exchanging Outstanding Debentures

Shortly after the completion of the exchange offer, we intend to redeem any outstanding debentures not exchanged in the exchange offer. If you do not exchange all of your outstanding debentures in the exchange offer, the liquidity and trading market for any remaining outstanding debentures is likely to be adversely affected until redemption, or longer if we do not redeem the outstanding debentures.

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

No 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 the exchange offer.

Summary Comparison of Notes to 7$^1/_4$% Debentures and 8$^1/_4$% Debentures

The following comparison of the terms of the notes to the 7$^1/_4$% debentures and the 8$^1/_4$% debentures is only a summary. For a more detailed description of the terms of the notes, please see "Description of Notes." For a more detailed description of the terms of the outstanding debentures, please see "Description of Outstanding Debentures."

	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
CUSIP		763165AB3	763165AC1
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 subordinate to amounts borrowed under our credit agreement and future indebtedness that is not expressly *pari passu* with or 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 *pari passu* with or subordinate to the 7$^1/_4$% debentures. In addition, 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 *pari passu* with or subordinate to the 8$^1/_4$% debentures. In addition, 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 conversion price equal to $ per share, subject to adjustment if we pay cash dividends in excess of $.16 per share of common stock 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. On or 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. On or 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.	We are obligated to make sinking fund payments on December 15, 2004 and December 15, 2005 of $3.85 million and $6.225 million, respectively.	None.
Repurchase upon change of control	Upon a change of control, (as defined), holder of notes has the right to require us to repurchase all or a portion of his, her or its notes at 101% of the principal amount thereof plus accrued and unpaid interest to the date of redemption. We may choose to pay the repurchase price in cash or shares of our common stock, or a combination of cash and common stock. Any shares of common stock will be valued at 97.5% of their then market price.	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, failure to convert the notes unless such failure is cured within 5 days after notice, failure to repurchase upon a change of control, failure to provide notice of a change of control, failure to redeem after exercise of the option to redeem, 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.
Remedies upon events of default	If an event of default, other than an event of bankruptcy or insolvency, occurs and is continuing, unless the principal of all notes has already become due and payable, the trustee or holders of at least 25% in principal amount of outstanding notes may declare the principal of and all accrued interest on the notes to be due and payable immediately. If an event of bankruptcy or insolvency occurs, the principal of and all accrued interest on the notes becomes due and payable immediately and automatically.	If an event of default occurs and is continuing, the trustee or holders of at least 25% in principal amount of outstanding $7^1/_4$% debentures may declare the principal of and all accrued interest on the $7^1/_4$% debentures to be due and payable immediately.	If an event of default occurs and is continuing, the trustee or holders of at least 25% in principal amount of outstanding $8^1/_4$% debentures may declare the principal of and all accrued interest on the $8^1/_4$% debentures to be due and payable immediately.

Modification	We may amend the indenture or the notes without consent of holders to cure any ambiguity, enter into a supplemental indenture in connection with a merger, provide for certificated notes or to make any non-material change to the rights of holders. In other cases, consent of the holders of at least a majority in principal amount of the notes is required to amend or supplement the indenture; *provided* that consent of all holders is required for any amendment that would reduce the amount of notes whose holders must consent to an amendment, reduce the rate or extend the time for payment of interest, reduce the principal or extend the maturity, waive a default in the payment of principal or interest or adversely affect the right of conversion.	We may amend the $7^1/4$% indenture or the $7^1/4$% debentures without consent of holders to cure any ambiguity, enter into a supplemental indenture in connection with a merger, provide for uncertificated $7^1/4$% debentures or to make any non-material change to the rights of holders. In other cases, consent of the holders of at least a majority in principal amount of the $7^1/4$% debentures is required to amend or supplement the $7^1/4$% indenture; *provided* that consent of all holders is required for any amendment that would reduce the amount of notes whose holders must consent to an amendment, reduce the rate or extend the time for payment of interest, change the amount of time of any payment required, reduce the principal or extend the maturity, waive a default in the payment of principal or interest or adversely affect the right of conversion.	We may amend the $8^1/4$% indenture or the $8^1/4$% debentures without consent of holders to cure any ambiguity, enter into a supplemental indenture in connection with a merger, provide for uncertificated $8^1/4$% debentures or to make any non-material change to the rights of holders. In other cases, consent of the holders of at least a majority in principal amount of the $8^1/4$% debentures is required to amend or supplement the $8^1/4$% indenture; *provided* that consent of all holders is required for any amendment that would reduce the amount of notes whose holders must consent to an amendment, reduce the rate or extend the time for payment of interest, reduce the principal or extend the maturity, change the amount of time of any payment required, waive a default in the payment of principal or interest or adversely affect the right of conversion.
Limitations on dividends and stock purchases	None.	Amount may not exceed the sum of: our 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, other than to a subsidiary, after May 31, 1996 of our capital stock; the aggregate net proceeds from the issue or sale, other than to a subsidiary, of our indebtedness which has been converted into our capital stock; and $20,000,000.	Amount may not exceed the sum of: our 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, other than to a subsidiary, after May 31, 1996 of our capital stock; the aggregate net proceeds from the issue or sale, other than to a subsidiary, of our indebtedness which has been converted into our capital stock; and $30,000,000.

Limitations on mergers	None.	We may not merge into, consolidate with or transfer all or substantially all of 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 after the merger we are not in default under our $7^1/_4$% indenture.	We may not merge into, consolidate with or transfer all or substantially all of 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 $8^1/_4$% indenture.
Trustee	J.P. Morgan Trust Company, National Association.	U.S. Bank, National Association.	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
Attn: Reba Volt
30 Broad Street, 46th Floor
New York, New York 10004
Telephone: (888) 385-BOND (2663) (Toll Free)
(212) 809-2663
www.bondcom.com/richardson

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:

By Hand or Overnight Courier:	*By Mail:*
J.P. Morgan Trust Company, National Association Institutional Trust Services Attn: Frank Ivins 2001 Bryan Street, 9th Floor Dallas, Texas 75201	J.P. Morgan Trust Company, National Association Institutional Trust Services Attn: Frank Ivins P.O. Box 2320 Dallas, Texas 75221-2320

To Confirm by Telephone:
(800) 275-2048
(Investor Relations Number)

Facsimile Transmissions:
(By Eligible Institutions Only)

Fax: (214) 468-6494

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

Common Stock Offering

We are also 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, at a price of $ per share. If that offering is successfully completed, we intend to use the net proceeds to repay borrowings under our credit agreement. Subsequently, in the event debentures remain outstanding after completion of the exchange offer, we intend to reborrow an amount not in excess of the net proceeds of that offering to redeem those debentures to the extent of such proceeds. The common stock offering is being made by a separate prospectus. Neither offering is contingent upon the closing of the other offering. See "Common Stock Offering."

Summary Selected Consolidated Financial Information

The following table contains summary selected consolidated financial data as of and for the fiscal years ended May 31, 2001, 2002 and 2003 and as of and for the nine months ended February 28, 2003 and 2004. The summary selected consolidated financial data as of May 31, 2002 and 2003, and for 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 as of and for the nine months ended February 28, 2003 and 2004 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 nine months ended February 28, 2004 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]			Nine Months Ended	
	2001	2002[2]	2003[3]	February 28, 2003	February 28, 2004
	(In thousands, except per share amounts)			(Unaudited)	
Statement of Operations Data:					
Net sales	$ 502,369	$ 443,492	$ 464,517	$ 345,582	$ 374,695
Cost of products sold	370,819	349,326	365,427	261,313	283,102
Gross margin	131,550	94,166	99,090	84,269	91,593
Selling, general and administrative expenses	94,444	99,070	100,749	74,155	78,441
Other expense, net	10,716	12,894	11,484	8,147	7,934
Income (loss) before income taxes	26,390	(17,798)	(13,143)	1,967	5,218
Income tax provision (benefit)	8,656	(6,339)	(3,012)	825	1,621
Income (loss) before cumulative effect of accounting change	17,734	(11,459)	(10,131)	1,142	3,597
Cumulative effect of accounting change, net of tax[4]			17,862	17,862	
Net income (loss)	$ 17,734	$ (11,459)	$ (27,993)	$ (16,720)	$ 3,597
Income (loss) per share basic:					
Before cumulative effect of accounting change	$ 1.33	$ (.84)	$ (.73)	$ 0.8	$ .26
Cumulative effect of accounting change, net of taxes			(1.30)	(1.30)	
Net income (loss) per share	$ 1.33	$ (.84)	$ (2.03)	$ (1.22)	$ .26
Income (loss) per share diluted:					
Before cumulative effect of accounting change	$ 1.21	$ (.84)	$ (.73)	$ 0.8	$ .25
Cumulative effect of accounting change, net of taxes			(1.30)	(1.28)	
Net income (loss) per share	$ 1.21	$ (.84)	$ (2.03)	$ (1.20)	$ .25
Dividends per common share[5]	$ .16	$ .16	$ .16	$ .12	$ .12

	Fiscal Year Ended May 31[(1)]			Nine Months Ended	
Weighted-average number of common shares outstanding:[(6)]					
Basic	13,333	13,617	13,809	13,742	14,002
Diluted	17,568	13,617	13,809	13,989	14,374
Other Data:					
Interest expense	$ 11,146	$ 12,386	$ 10,352	$ 7,757	$ 7,682
Investment income	575	352	124	123	127
Depreciation & amortization	5,776	5,875	5,364	4,273	4,013
Capital expenditures	7,883	5,727	6,125	4,958	3,861

	As of May 31[1]			As of	
	2001	2002	2003[3]	February 28, 2003	February 28, 2004
	(In thousands unless otherwise stated)			(Unaudited)	
Balance Sheet Data:					
Cash and cash equivalents	$ 15,946	$ 15,296	$ 16,874	$ 11,867	$ 19,727
Working capital	225,436	186,554	183,859	192,228	177,459
Property, plant and equipment, net	28,753	28,827	31,088	30,588	30,747
Total assets	321,514	286,647	264,931	266,137	275,136
Current maturities of long-term debt	205	38	46	42	4,488
Long-term debt	155,134	132,218	138,396	140,961	127,455
Stockholders' equity	109,545	99,414	75,631	80,677	82,938

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

(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 3,189 class B common shares for the nine months ended February 28, 2003 and 2004, 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 (loss) before cumulative effect of accounting change and 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 Nine Months Ended	
	1999	2000	2001	2002(2)	2003(3)	February 28, 2003	February 28, 2004
Fixed charges:							
Interest expense	$ 7,689	$ 8,911	$ 11,146	$ 12,386	$ 10,352	$ 7,757	$ 7,682
Estimate of the interest within rental expense	822	965	1,052	1,101	1,191	854	818
Total fixed charges	8,571	9,876	12,198	13,487	11,543	8,611	8,500
Earnings:							
Income (loss) before cumulative effect of accounting change and income taxes	11,857	18,604	26,390	(17,798)	(13,143)	1,967	5,218
Add Fixed Charges	8,571	9,876	12,198	13,487	11,543	8,611	8,500
Total	$ 20,428	$ 28,480	$ 38,588	$ (4,311)	$ (1,600)	$ 10,578	$ 13,718
Ratio of earnings to fixed charges	2.4	2.9	3.2	(0.3)	(0.1)	1.2	1.6
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.

(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 common stock offering and the application of the net proceeds from that offering based on an assumed public offering price of $10.82 per share (the last reported sale price of our common stock on May 13, 2004).

We have computed these ratios by dividing earnings available for fixed charges (income (loss) before cumulative effect of accounting change and 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 Nine Months Ended February 28, 2004**		
	As adjusted, assuming 75% of outstanding debentures are tendered	**As adjusted, assuming 100% of outstanding debentures are tendered**	**As adjusted, assuming 100% of outstanding debentures are tendered and giving effect to the common stock offering**	**As adjusted, assuming 75% of outstanding debentures are tendered**	**As adjusted, assuming 100% of outstanding debentures are tendered**	**As adjusted, assuming 100% of outstanding debentures are tendered and giving effect to the common stock 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 Related 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. As of February 28, 2004, 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. Our debt-to-equity ratio was 159% as of February 28, 2004, the date of the balance sheet used to calculate this ratio. 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, our default in payment of the outstanding debentures would trigger an event of default under the related indentures, which would trigger a cross-default under the separate indenture governing the notes as well as our credit agreement and could trigger acceleration of the related debt. In addition, the lenders under our credit agreement could foreclose on their collateral, which includes equity interests in our subsidiaries, and exercise other rights of secured creditors. Any default under our credit agreement, or the indentures governing the outstanding debentures or the notes could adversely affect our growth, our financial condition, our results of operations, our ability to make payments on our debt obligations, our ability to obtain favorable financing terms and, ultimately, could affect our ability to continue as a going concern and could require us to seek judicial or bankruptcy relief.

Currently, we do not have any financing plans for payment of the outstanding debentures other than the common stock offering and this exchange offer. If the common stock offering is successfully completed, we intend to use the net proceeds to repay borrowings under our credit agreement. Subsequently, in the event debentures remain outstanding after completion of the exchange offer, we intend to reborrow an amount not in excess of the net proceeds of that offering to redeem those debentures to the extent of such proceeds. If the proceeds from the common stock offering are insufficient to redeem all of the outstanding debentures and the exchange offer is unsuccessful, we will evaluate alternative financing plans for payment of the outstanding debentures at that time, taking into account the then existing market conditions. See "Common Stock Offering."

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

We are also 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. We will determine the principal amount of outstanding debentures we will redeem based on the proceeds of the common stock offering. If the net proceeds from that offering, after payment of expenses, equal or exceed the amount of those debentures, we expect to redeem all of the outstanding debentures to the extent of such proceeds. See "Common Stock Offering."

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.

The outstanding debentures are not listed on any national securities exchange or Nasdaq and there is a limited market of any kind for the outstanding debentures. 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, neither we nor our directors or officers are making any 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 are not taking a position or making a recommendation as to whether you should participate in the exchange offer or how you should choose between tendering $7^{1}/_{4}\%$ debentures and $8^{1}/_{4}\%$ debentures.

If you do not tender your outstanding debentures, our obligations under those debentures will be subordinated in priority to the notes.

Our obligations to pay principal and interest on the notes will rank senior to our obligations under the $7^{1}/_{4}\%$ debentures and the $8^{1}/_{4}\%$ debentures. Upon any distribution of our assets upon any insolvency, dissolution or reorganization, the payment of principal and interest on the notes and any senior indebtedness we may have will have priority over the payment of principal and interest on the outstanding debentures. After payment of these obligations, there may not be sufficient assets remaining to pay amounts due on any or all of the outstanding debentures after we have made payment of principal and interest on the notes and our other senior indebtedness. See "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 exchange offer may not receive the tax treatment we expect.

We believe that the exchange of outstanding debentures for notes will more likely than not 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. Because the determination of whether the notes will be issued with original issue discount depends upon facts that will not be known prior to the consummation of the exchange offer, our counsel, Bryan Cave LLP, is unable to provide an opinion with respect to whether the notes will be issued with original issue discount. 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 February 28, 2004, the aggregate amount of our senior indebtedness was $61,117,355. 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 February 28, 2004, our subsidiaries had $14,976,701 of indebtedness, excluding indebtedness that is also Senior Indebtedness.

Our credit agreement imposes significant operating and financial restrictions that may prevent us from repurchasing the notes upon a change of control.

Upon a change of control, the indenture for the notes requires us to repurchase all notes tendered for repurchase. We cannot assure you that we will be able to repurchase the notes as required. Our credit agreement imposes significant operating and financial restrictions on us. These restrictions include limitations on our ability to redeem or repurchase outstanding debt that is subordinate to borrowings under the credit agreement. As a result of these restrictions, we may not be able to repurchase 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.

The notes are a new issuance and 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 large percentage of holders of the outstanding debentures choose not to exchange their outstanding debentures, the liquidity 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 than 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 rates the notes and assigns the notes a rating lower than the rating expected by investors, or reduces the rating of the notes in the future, the market price of the notes may decline.

Holders of common stock have fewer voting rights than the holders of our Class B common stock, the principal holder of which is our chairman of the board and chief executive officer, Mr. Richardson.

The holders of common stock are entitled to only one vote per share, while holders of Class B common stock are entitled to ten votes per share. Edward J. Richardson, our chairman of the board and chief executive officer, holds 99.6% of the outstanding Class B common stock as of May 13, 2004. Because of its voting power, the Class B common stock controls 74.2% of our outstanding voting power. Holders of common stock and Class B common stock generally vote together as a single class on all matters except as otherwise required by Delaware law. As a result of their voting power, the holders of Class B common stock can control the outcome of any such stockholder vote. See "Description of Our Capital Stock Common Stock" and " Class B Common Stock."

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

Because of Mr. Richardson's voting power, he 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 May 13, 2004, we had 17,478,487 authorized but unissued shares of common stock and 1,495,955 shares of treasury stock. We are also separately offering 3,000,000 shares of common stock, or 3,450,000 if the underwriters fully exercise their over-allotment option, at a price of $ per share. Since this price is in excess of the per share book value of our common stock as of February 28, 2004, we do not believe that there is any material risk of dilution on a book value basis related to the common stock offering. See "Common Stock Offering."

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.

At May 13, 2004, we had a total of 6,304,000 shares of common stock reserved for issuance. These reserved shares included 2,507,000 shares reserved for issuance under our existing stock incentive plans, including 1,518,000 shares issuable upon exercise of options outstanding as of that date at a weighted average exercise price of $9.40 per share; 116,000 shares reserved for issuance under our employee stock purchase plan; and 3,681,000 shares reserved for issuance upon conversion of the $7^1/_4$% debentures, which currently have a conversion price of $21.14 per share, and the $8^1/_4$% debentures, which currently have a conversion price of $18.00 per share. Our notes will have a conversion price of $ per share. If 75% of the principal amount of the $7^1/_4$% debentures and 75% of the principal amount of the $8^1/_4$% debentures are tendered and accepted, we would have a total of shares reserved for issuance upon conversion of the notes and the outstanding debentures. If 100% of the outstanding debentures are tendered and accepted, we would have a total of shares reserved for issuance upon conversion of the notes.

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 industries served by our RF and Wireless Communications Group, Industrial Power Group, Security Systems Division, and Display Systems Group such as declines in capital investment in such industries;
- technological innovations, new products or upgrades to existing products which cause our inventory to become less marketable or obsolete;
- the addition or loss of customers or vendors;
- the small size of the public float of our common stock which may cause larger fluctuations in the market price 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 April 30, 2004, the average daily trading volume for our common stock as reported by The Nasdaq National Market was 37,153 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 it decides 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 and 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 industrywide 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 and Wireless Communications Group is dependent upon capital spending levels in the 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 February 28, 2004, our total long-term debt was approximately $127 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.

As of February 28, 2004, our total debt was approximately $132 million, resulting in a debt-to-equity ratio of 159%, and primarily consisted of:

- $30,825,000 aggregate principal amount of our $7^1/_4$% debentures, which bear interest at the rate of $7^1/_4$% per year payable on June 15 and December 15 and mature on December 15, 2006;
- $40,000,000 aggregate principal amount of our $8^1/_4$% debentures, which bear interest at the rate of $8^1/_4$% per year payable on June 15 and December 15 and mature on June 15, 2006; and
- $60,434,687 principal amount of indebtedness under our credit agreement, which matures on September 30, 2005, bears interest at London Interbank Offered Rate, or LIBOR, plus a margin varying with certain financial performance criteria. The interest rate was 4.09% at February 28, 2004.

The debt-to-equity ratio has been calculated based on our balance sheet dated February 28, 2004.

We plan to issue an aggregate principal amount of notes equal to the principal amount of outstanding debentures tendered and accepted in the exchange offer. The notes will bear interest at the rate of % per year, with interest payable on and , and mature on , 2011.

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. In addition, the lenders under our credit agreement could foreclose on their collateral, which includes equity interests in our subsidiaries, and exercise other rights of secured creditors. Our business and financial condition could be significantly harmed if such a default occurs.

Our success depends 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 Mr. 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.

Potential changes in accounting standards regarding stock option plans could limit the desirability of granting stock options, which could harm our ability to attract and retain employees, and could also negatively impact our results of operations.

The Financial Accounting Standards Board is considering whether to require all companies to treat the fair value of stock options granted to employees as an expense. The United States Congress and other governmental and regulatory authorities have also considered requiring companies to expense stock options. If this change were to become mandatory, we and other companies could be required to record a compensation expense equal to the fair value of each stock option granted. Currently, we are generally not required to record compensation expense in connection with stock option grants. If we were required to expense the fair value of stock option grants, it would reduce the attractiveness of granting stock options because of the additional expense associated with these grants, which would negatively impact our results of operations. For example, had we been required to expense stock option grants by applying the measurement provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," our recorded net income of $3.6 million would have been decreased by $612,000, to net income of $3.0 million for the nine months ended February 28, 2004 and our recorded net loss of $28.0 million would have been increased by $1.6 million, to a net loss of $29.6 million for fiscal 2003. Nevertheless, stock options are an important employee recruitment and retention tool, and we may not be able to attract and retain key personnel if we reduce the scope of our employee stock option program. Accordingly, in the event we are required to expense stock option grants, our future results of operations would be negatively impacted, as would our ability to use stock options as an employee recruitment and retention tool.

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." 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:

- our estimated revenues and earnings per diluted share for fiscal year 2005;
- 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 sale 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 Ending May 31, 2004		
First Quarter	$ 10.79	$ 7.83
Second Quarter	$ 12.57	$ 9.65
Third Quarter	$ 14.00	$ 10.00
Fourth Quarter (through May 13, 2004)	$ 14.08	$ 10.25

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

On May 13, 2004, the last reported sale price of our common stock on The Nasdaq National Market was $10.82 per share. As of May 13, 2004, there were approximately 909 stockholders of record of our common stock and approximately 20 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 September 1988. We declared comparable dividends on April 5, 2004, which will be paid on May 28, 2004. 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, among other things, 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 February 28, 2004;
- 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 75% of the outstanding debentures are tendered and accepted, and giving effect to the common stock offering and the application of proceeds from that offering, based on an assumed public offering price of $10.82 per share (the last reported sale price of our common stock on May 13, 2004);
- 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 common stock offering and the application of the net proceeds from that offering, based on an assumed public offering price of $10.82 per share (the last reported sale price of our common stock on May 13, 2004).

Neither offering is contingent upon the closing of the other offering and the exchange offer may occur without the consummation of the common stock offering. See "Common Stock Offering." You should read this information in conjunction with the information under "Selected Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes beginning on page F-1.

	As of February 28, 2004				
	Actual	**As adjusted, assuming 75% of outstanding debentures are tendered**	**As adjusted, assuming 75% of outstanding debentures are tendered and giving effect to the common stock offering**	**As adjusted, assuming 100% of outstanding debentures are tendered**	**As adjusted, assuming 100% of outstanding debentures are tendered and giving effect to the common stock offering**
	(In thousands, except per share amounts)				
Cash and cash equivalents	$ 19,727	$ 18,936	$ 18,936	$ 18,759	$ 18,759
Short-term debt(1)	4,488	1,601	638	638	638
Long-term debt:					
Bank credit facility	60,435	60,435	47,860	60,435	30,154
Notes		53,119	53,119	70,825	70,825
Capital leases	45	45	45	45	45
Outstanding debentures	66,975	16,744		0	
Total long-term debt	$ 127,455	$ 130,343	$ 97,926	$ 131,305	$ 97,926
Stockholders' equity:					
	625	625	775	625	775

	As of February 28, 2004
Common stock ($.05 par value; 12,500 shares issued)	
Class B common stock, convertible ($.05 par value; 3,171 shares issued)	