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PIONEER STANDARD ELECTRONICS INC  
Form 8-K  
March 17, 2003

Securities and Exchange Commission  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report  
February 28, 2003  
-----

(Date of earliest event reported)

PIONEER-STANDARD ELECTRONICS, INC.

-----  
(Exact name of registrant as specified in its charter)

Ohio

(0-5734)

34-0

-----  
(State or other jurisdiction of  
incorporation)

-----  
(Commission File No.)

-----  
(I.R.S.  
Identific

6065 Parkland Boulevard, Mayfield Heights, Ohio

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-----  
(Address of principal executive offices)

-----  
(Zip

Registrant's telephone number, including area code: (440) 720-8500  
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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On February 28, 2003, Pioneer-Standard Electronics, Inc. ("Pioneer-Standard" or "the Company") completed the sale of substantially all of the assets and liabilities of its Industrial Electronics Division ("IED") to Arrow Electronics, Inc., ("Arrow") for estimated pre-tax proceeds of \$240 million of which approximately \$230 million was received on the closing date. The estimated pre-tax proceeds related to the sale are subject to adjustment on the basis of an audit of the assets and liabilities sold. The terms of the

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transaction were agreed upon through arm's length negotiations.

The terms of the sale as well as a description of the assets and liabilities sold are more fully explained in the Purchase Agreement dated as of January 13, 2003 by and between Arrow Electronics, Inc., Arrow Europe GmbH, Arrow Electronics Canada Ltd., and Pioneer-Standard Electronics, Inc., Pioneer-Standard Illinois, Inc., Pioneer-Standard Minnesota, Inc., Pioneer-Standard Electronics, Ltd., Pioneer-Standard Canada, Inc., a copy of which is attached as Exhibit 2.1.

In conjunction with the sale, the operations associated with the remaining assets and liabilities of IED and Aprisa, Inc., the Company's majority owned software business, were discontinued.

### ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

- (a) Financial Statements of Business Acquired.  
None.
- (b) Pro Forma Financial Information.

The following unaudited pro forma condensed consolidated financial statements present pro forma financial information for Pioneer-Standard giving effect to the February 28, 2003 sale of certain IED assets and liabilities to Arrow Electronics, Inc.; the discontinuance of operations associated with the remaining assets and liabilities of IED and the Company's majority owned software business; and the use of proceeds from the sale to redeem debt, as described in this Current Report on Form 8-K.

The December 31, 2002 Unaudited Pro Forma Condensed Consolidated Balance Sheet is presented as if the sale, the discontinuance and the redemption of debt were effective December 31, 2002. The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the nine months ended December 31, 2002, and for each of the years in the three year period ended March 31, 2002 assume the sale, the discontinuance and the redemption of debt were effective as of the beginning of the fiscal year ended March 31, 2000.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the consolidated financial statements and related footnotes included in Pioneer-Standard's 2002 Annual Report on Form 10-K and Pioneer-Standard's Quarterly Reports on Form 10-Q for the quarters ended June 30, 2002, September 30, 2002 and December 31, 2002.

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THE FOLLOWING UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION IS PRESENTED FOR ILLUSTRATIVE PURPOSES ONLY AND IS NOT NECESSARILY AN INDICATION OF THE FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS OF PIONEER-STANDARD.

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PIONEER-STANDARD ELECTRONICS, INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
 DECEMBER 31, 2002

(Dollars In Thousands)	Historical	Pro forma Adjustments	
		Sale Transaction	Other
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 70,274	\$ 234,938 (a)	\$ (157,500)
Accounts receivable, net	369,661	(76,593) (a)	(991)
Inventories, net	220,232	(123,478) (a)	(36,242)
Deferred income taxes	15,039	(7,019) (a)	(1,411)
Prepaid expenses	1,651	(24) (a)	(83)
Assets of discontinued operations	-	-	47,399
<b>Total current assets</b>	<b>676,857</b>	<b>27,824</b>	<b>(148,828)</b>
Goodwill & intangible assets, net	118,993	-	(1,522)
Investments in affiliated companies	32,406	(11,400) (a)	-
Other assets	14,531	(129) (a)	-
Property and equipment, net	71,827	(3,394) (a)	(12,943)
<b>Total Assets</b>	<b>\$ 914,614</b>	<b>\$ 12,901</b>	<b>\$ (163,293)</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 270,988	\$ (34,605) (a)	\$ (17,600)
Accrued salaries, wages, commissions and benefits	12,440	(689) (a)	(5,779)
Other accrued liabilities	19,550	-	8,735
Liabilities of discontinued operations	-	-	18,594
<b>Total current liabilities</b>	<b>302,978</b>	<b>(35,294)</b>	<b>3,950</b>
Long-Term Debt	150,032	-	(150,000)
Deferred Income Taxes	11,106	(90) (a)	(353)
Other Long-Term Liabilities	4,151	-	1,003
Mandatorily Redeemable Convertible Trust			
Preferred Securities	143,675	-	-
Shareholders' Equity	302,672	48,285 (a)	(17,893)
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 914,614</b>	<b>\$ 12,901</b>	<b>\$ (163,293)</b>

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PIONEER-STANDARD ELECTRONICS, INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 For the Nine Months Ended December 31, 2002

(Dollars In Thousands, Except Share and Per Share Data)	Historical	Pro forma Adjustments		
		Sale Transaction (f)	Other Discontinued Operations (g)	Other
Net Sales	\$ 1,542,277	\$ (631,985)	\$ -	\$ -
Cost of Goods Sold	1,320,918	(525,513)	-	-
Gross Margin	221,359	(106,472)	-	-
Warehouse, Selling and Administrative Expenses	199,381	(89,669)	(6,508)	-
Operating Income (Loss)	21,978	(16,803)	6,508	-
Other (Income) Expense				
Other (Income) Expense	(1,417)	947	-	-
Interest Expense	13,180	(6,125)	(368)	(5)
Income (Loss) Before Income Taxes	10,215	(11,625)	6,876	5
Provision (Benefit) for Income Taxes	2,248	(2,589)	2,407	2
Minority Interest Income	(1,073)	-	1,073	-
Distributions on Mandatorily Redeemable Convertible Preferred Securities, net of tax	5,673	(1,073)	-	-
Income (Loss) from Continuing Operations	\$ 3,367	\$ (7,963)	\$ 3,396	\$ 3
PER SHARE DATA:				
Income (Loss) from Continuing Operations - basic	\$ 0.12			
Income (Loss) from Continuing Operations - diluted	\$ 0.12			
Weighted Average Shares Outstanding:				
Basic	27,270,774			
Diluted	27,698,764			

PIONEER-STANDARD ELECTRONICS, INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 For the Year Ended March 31, 2002

(Dollars In Thousands, Except Share and Per Share Data)	Historical	Pro forma Adjustments		Ot
		Sale Transaction (f)	Other Discontinued Operations (f)	
Net Sales	\$ 2,323,593	\$ (1,029,271)	\$ -	\$
Cost of Goods Sold	2,007,618	(883,779)	-	
Gross Margin	315,975	(145,492)	-	
Warehouse, Selling and Administrative Expenses	293,903	(134,186)	(5,035)	
Restructuring Expense	3,796	(3,323)	-	
Operating Income (Loss)	18,276	(7,983)	5,035	
Other (Income) Expense				
Other (Income) Expense	(721)	(152)	-	
Interest Expense	22,046	(10,718)	(71)	
Income (Loss) Before Income Taxes	(3,049)	2,887	5,106	
Provision (Benefit) for Income Taxes	(1,256)	1,283	1,591	
Minority Interest Income	(450)	-	450	
Distributions on Mandatorily Redeemable Convertible Preferred Securities, net of tax	5,704	533	-	
Income (Loss) from Continuing Operations	\$ (7,047)	\$ 1,071	\$ 3,065	\$
PER SHARE DATA:				
Income (Loss) from Continuing Operations - basic	\$ (0.26)			
Income (Loss) from Continuing Operations - diluted	\$ (0.26)			

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Weighted Average Shares

Outstanding:

Basic	27,040,171
Diluted	27,040,171

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PIONEER-STANDARD ELECTRONICS, INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 For the Year Ended March 31, 2001

(Dollars In Thousands, Except Share and Per Share Data)	Historical	Pro forma Adjustments		
		Sale Transaction (f)	Other Discontinued Operations (g)	Other
Net Sales	\$ 2,901,353	\$ (1,469,515)	\$ -	\$ -
Cost of Goods Sold	2,468,571	(1,214,940)	-	-
Gross Margin	432,782	(254,575)	-	-
Warehouse, Selling and Administrative Expenses	318,400	(154,139)	(1,079)	(4,000)
Write-down of IT system assets	14,200	-	-	-
Operating Income (Loss)	100,182	(100,436)	1,079	4,000
Other (Income) Expense				
Other (Income) Expense	(480)	(99)	100	-
Interest Expense	34,349	(16,635)	(16)	(7,000)
Income (Loss) Before Income Taxes	66,313	(83,702)	995	11,000
Provision (Benefit) for Income Taxes	25,823	(29,990)	220	3,000
Distributions on Mandatorily Redeemable Convertible Preferred Securities, net of tax	5,914	391	-	-

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Income (Loss) from Continuing Operations	\$	34,576	\$	(54,103)	\$	775	\$	7,
		=====		=====		=====		=====
PER SHARE DATA:								
Income (Loss) from Continuing Operations - basic	\$	1.29						
Income (Loss) from Continuing Operations - diluted	\$	1.11						
Weighted Average Shares Outstanding:								
Basic		26,793,457						
Diluted		36,615,950						

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PIONEER-STANDARD ELECTRONICS, INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 For the Year Ended March 31, 2000

(Dollars In Thousands, Except Share and Per Share Data)	Historical	Pro forma Adjustments		Ot
		Sale Transaction (f)	Other Discontinued Operations (g)	
Net Sales	\$ 2,560,711	\$ (1,341,222)	\$ -	\$
Cost of Goods Sold	2,170,684	(1,129,627)	-	
Gross Margin	390,027	(211,595)	-	
Warehouse, Selling and Administrative Expenses	289,631	(133,652)	-	(
Operating Income (Loss)	100,396	(77,943)	-	
Other (Income) Expense				
Other (Income) Expense	(1,058)	-	-	
Gain on Sale of Assets	(1,845)	-	-	
Interest Expense	26,074	(12,825)	-	(
Income (Loss) Before Income Taxes	77,225	(65,118)	-	1
Provision (Benefit) for Income Taxes	31,210	(24,356)	-	
Distributions on Mandatorily				

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Redeemable Convertible Preferred Securities, net of tax	5,870	334	-	
Income (Loss) from Continuing Operations	\$ 40,145	\$ (41,096)	\$ -	\$
 PER SHARE DATA:				
Income (Loss) from Continuing Operations - basic	\$ 1.52			
Income (Loss) from Continuing Operations - diluted	\$ 1.27			
 Weighted Average Shares				
Outstanding:				
Basic	26,409,156			
Diluted	36,178,307			

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The pro forma adjustments to the December 31, 2002 Unaudited Condensed Consolidated Balance Sheet include the effects of the receipt of cash at the closing date of the sale as if the closing date was December 31, 2002, a receivable of approximately \$12 million for the estimated remaining sales proceeds that have been held back until audited results are available, disposal of assets and liabilities sold, discontinuance of the remaining IED assets and liabilities and the Company's majority owned software business, redemption of debt and recording of related transaction and debt redemption costs. Included in Shareholders' Equity is the estimated gain on sale, after tax. The actual gain from the sale when recorded in the fourth quarter of Fiscal 2003 will differ based on the audited carrying value of the net assets as of February 28, 2003 and determination of final transaction costs.

- (a) To adjust for the assets and liabilities sold, the related taxes and receipt of the sales proceeds.
- (e) To adjust for assets and liabilities of the discontinued operations not sold to Arrow.
- (c) To adjust the value of the Company's majority owned software company and other impaired assets. Intangible assets and Property and equipment, net were adjusted by approximately \$1.2 million and \$4.6 million, respectively.
- (d) To reflect transaction costs of the sale of approximately \$4.6 million.
- (e) To adjust for the redemption of debt and related costs.

The estimated gain on sale, loss on redemption of debt and asset impairments have been excluded from the Unaudited Pro Forma Condensed Consolidated Statements of Operations for the nine months ended December 31, 2002, and each

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of the years in the three year period ended March 31, 2002.

- (f) To eliminate the sales and operating costs of IED as if the disposition and discontinuance had occurred at the beginning of the fiscal year ended March 31, 2000.
- (g) To eliminate the operating costs of Aprisa, Inc., the Company's majority owned software business, as if the discontinuance had occurred at the beginning of the fiscal year ended March 31, 2000.
- (h) To eliminate interest expense and other related debt costs as if the redemption had occurred at the beginning of the fiscal year ended March 31, 2000.
- (i) Operating expenses do not reflect the impact of restructuring the Company. Had the Company been restructured beginning in fiscal year 2000, pro forma operating expenses may have been reduced by approximately \$5.1 million for the nine months ended December 31, 2002, and approximately \$10.0 million, \$9.5 million and \$8.7 million for each of the years in the three year period ended March 31, 2002.
- (j) Effective April 1, 2002, the Company discontinued amortization of its goodwill in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". This adjustment is to eliminate goodwill amortization of \$4.1 million for the fiscal years ended March 31, 2002 and 2001 and \$4.0 million for the fiscal year ended March 31, 2000, assuming the adoption of this Statement occurred at the beginning of the fiscal year ended March 31, 2000.

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- (c) Exhibits.
  - 2.1 Purchase Agreement dated as of January 13, 2003 by and between Arrow Electronics, Inc., Arrow Europe GmbH, Arrow Electronics Canada Ltd., and Pioneer-Standard Electronics, Inc., Pioneer-Standard Illinois, Inc., Pioneer-Standard Minnesota, Inc., Pioneer-Standard Electronics, Ltd., Pioneer-Standard Canada Inc.
  - 99.1 Press release of Pioneer-Standard Electronics, Inc. dated March 3, 2003.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PIONEER-STANDARD ELECTRONICS, INC.

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By: /s/ Steven M. Billick

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Steven M. Billick  
Executive Vice President and  
Chief Financial Officer

Date: March 17, 2003

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EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	PAGE -----
2.1	Purchase Agreement dated as of January 13, 2003 by and between Arrow Electronics, Inc., Arrow Europe GmbH, Arrow Electronics Canada Ltd., and Pioneer-Standard Electronics, Inc., Pioneer-Standard Illinois, Inc., Pioneer-Standard Minnesota, Inc., Pioneer-Standard Electronics, Ltd., Pioneer-Standard Canada Inc.	
99.1	Press release of Pioneer-Standard Electronics, Inc. dated March 3, 2003.	

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