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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2000.

OR

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

For the transition period from _____ to _____.

Commission file number 0-5734

Pioneer-Standard Electronics, Inc.

(Exact name of registrant as specified in its charter)

Ohio

34-0907152

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

6065 Parkland Boulevard, Mayfield Heights, Ohio

44124

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code: (440) 720-8500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of Common Shares, as of the latest practical date: **Common Shares, without par value, as of November 1, 2000: 31,613,194**. (Includes 4,056,202 Common Shares subscribed by the Pioneer Stock Benefit Trust.)

PIONEER-STANDARD ELECTRONICS, INC.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**PIONEER-STANDARD ELECTRONICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)**

	(Unaudited) September 30 2000	(Audited) March 31 2000
ASSETS		
Current assets		
Cash	\$ 40,081	\$ 34,253
Accounts receivable – net	432,479	407,309
Merchandise inventory – net	436,849	348,120
Other	11,823	12,049
Total current assets	921,232	801,731
Intangible assets – net	157,471	150,503
Investments in affiliated companies	67,963	46,030
Other assets	9,574	8,055
Property and equipment, net	103,363	105,897
TOTAL ASSETS	\$1,259,603	\$1,112,216
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 260,019	\$ 240,229
Notes payable	16,789	26,086
Accrued liabilities	32,430	30,831
Current maturities of long-term debt	3,053	3,052
Total current liabilities	312,291	300,198
Long-term debt	420,130	320,205
Other long-term liabilities	31,622	23,998
Mandatorily redeemable convertible trust preferred securities	143,750	143,750
Shareholders' equity:		
Common stock, at \$.30 stated value	9,388	9,323
31,566,569 and 31,349,751 shares outstanding, including 4,056,202 subscribed-for shares, in September and March, respectively		
Capital in excess of stated value	129,905	137,092
Retained earnings	258,786	238,968
Unearned employee benefits	(55,015)	(63,885)
Unearned compensation on restricted stock	(6,524)	(7,526)
Accumulated other comprehensive income	15,270	10,093
Total shareholders' equity	351,810	324,065
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,259,603	\$1,112,216

See accompanying notes to unaudited condensed consolidated financial statements.

PIONEER-STANDARD ELECTRONICS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)

	(Unaudited) Three Months Ended September 30		(Unaudited) Six Months Ended September 30	
	2000	1999	2000	1999
Net Sales	\$714,846	\$631,322	\$1,389,931	\$1,207,295
Operating Costs and Expenses:				
Cost of goods sold	605,691	535,104	1,177,694	1,021,803
Warehouse, selling and administrative expenses	79,628	71,998	155,945	139,140
Operating Income	29,527	24,220	56,292	46,352
Other income	(426)	(146)	(471)	(334)
Gain on sale of assets	—	(1,845)	—	(1,845)
Interest expense	8,296	6,326	15,933	12,422
Income Before Income Taxes	21,657	19,885	40,830	36,109
Provision for income taxes	8,463	8,125	15,940	15,181
Distributions on mandatorily redeemable convertible trust preferred securities, net of tax	1,479	1,462	2,954	2,921
Income Before Extraordinary Charge	\$ 11,715	\$ 10,298	\$ 21,936	\$ 18,007
Extraordinary charge for early extinguishment of debt, net of \$301 tax benefit	(470)	—	(470)	—
Net Income	<u>\$ 11,245</u>	<u>\$ 10,298</u>	<u>\$ 21,466</u>	<u>\$ 18,007</u>
Per share data:				
Income Before Extraordinary Charge – basic	\$.44	\$.39	\$.82	\$.68
Extraordinary charge	(.02)	—	(.02)	—
Net Income – basic	<u>\$.42</u>	<u>\$.39</u>	<u>\$.80</u>	<u>\$.68</u>
Income Before Extraordinary Charge – diluted	\$.36	\$.32	\$.68	\$.58
Extraordinary charge	(.01)	—	(.01)	—
Net Income – diluted	<u>\$.35</u>	<u>\$.32</u>	<u>\$.67</u>	<u>\$.58</u>
Dividends per share	\$.03	\$.03	\$.06	\$.06
Weighted average shares outstanding				
Basic	26,777	26,361	26,752	26,358
Diluted	36,738	36,208	36,712	35,989

See accompanying notes to unaudited condensed consolidated financial statements.

PIONEER-STANDARD ELECTRONICS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	(Unaudited)	
	Six months ended September 30	
	2000	1999
Operating activities:		
Net income	\$ 21,466	\$ 18,007
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Extraordinary charge, net of tax	470	—
Depreciation	7,288	7,454
Amortization	6,713	4,864
Gain on sale of assets	—	(1,845)
Changes in working capital		
Increase in accounts receivable	(25,904)	(34,210)
Increase in inventory	(88,986)	(43,670)
Increase in accounts payable	19,989	68,612
Decrease (increase) in other working capital	3,220	(2,303)
Other	1,467	(1,076)
Total Adjustments	(75,743)	(2,174)
Net cash (used for) provided by operating activities	(54,277)	15,833
Investing activities:		
Additions to property and equipment	(8,073)	(15,299)
Acquisitions of businesses	(8,672)	—
Investments in affiliates	(12,113)	(13,029)
Proceeds from sale of assets	—	2,712
Net cash used for investing activities	(28,858)	(25,616)
Financing activities:		
(Payments) borrowings on notes payable	(9,434)	1,982
Revolving credit borrowings	100,000	20,000
Debt financing costs paid	(1,463)	—
Issuance of common shares under company stock option plans	1,683	102
Dividends paid	(1,648)	(1,603)
Other	(74)	(115)
Net cash provided by financing activities	89,064	20,366
Effect of exchange rate changes on cash	(101)	(376)
Net increase in cash	5,828	10,207
Cash at beginning of period	34,253	28,898
Cash at end of period	<u>\$ 40,081</u>	<u>\$ 39,105</u>

Non-Cash transactions:

For the six month periods ended September 30, 2000 and 1999, Pioneer-Standard Electronics, Inc.'s investments in available-for-sale securities appreciated \$5,976 and \$2,508, respectively, net of tax.

See accompanying notes to unaudited condensed consolidated financial statements.

PIONEER-STANDARD ELECTRONICS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data)

1. BASIS OF PRESENTATION

Pioneer is a worldwide distributor of electronic components and computer systems.

The accompanying unaudited condensed consolidated financial statements include the accounts of Pioneer-Standard Electronics, Inc. and its majority owned subsidiaries (the "Company" or "Pioneer"). All intercompany accounts have been eliminated.

These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of the Company as of September 30, 2000 and the results of its operations and cash flows for the three and six month periods ended September 30, 2000 and 1999 have been included.

Operating results for the six month period ended September 30, 2000 are not necessarily indicative of the results that may be expected for the remainder of the year ended March 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2000.

Reclassifications: Certain 1999 amounts have been reclassified to conform with the 2000 presentation.

2. COMPREHENSIVE INCOME

The components of comprehensive income for the three and six months ended September 30, 2000 and 1999 are as follows (amounts in thousands):

	Three months ended September 30,		Six months ended September 30,	
	2000	1999	2000	1999
Net Income	\$11,245	\$10,298	\$21,466	\$18,007
Unrealized gain (loss) on investments	1,781	(1,787)	5,976	2,508
Foreign currency translation adjustment	(418)	(1,017)	(799)	(458)
Comprehensive Income	\$12,608	\$ 7,494	\$26,643	\$20,057

3. EARNINGS PER SHARE

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted computations include dilutive common share equivalents of outstanding stock options, restricted stock and assumed conversion of company-obligated mandatorily redeemable convertible trust preferred securities and the elimination of related distributions, net of income taxes.

The computation of basic and diluted earnings per common share for the three and six months ended September 30, 2000 and 1999 are as follows:

	Three months ended September 30,		Six months ended September 30,	
	2000	1999	2000	1999
Basic				
Net income applicable to common shareholders	\$11,245	\$10,298	\$21,466	\$18,007
Weighted average shares outstanding	26,777	26,361	26,752	26,358
Basic earnings per share	\$.42	\$.39	\$.80	\$.68
Diluted				
Net income applicable to common shareholders	\$11,245	\$10,298	\$21,466	\$18,007
Add back:				
Distributions on mandatorily redeemable convertible trust preferred securities, net of tax	1,479	1,462	2,954	2,921
Net income applicable to common shareholders after assumed conversion	\$12,724	\$11,760	\$24,420	\$20,928
Weighted average shares outstanding	26,777	26,361	26,752	26,358
Effect of diluted securities:				
Common share equivalents	834	720	833	504
Common shares issuable upon conversion of mandatorily redeemable convertible trust preferred securities	9,127	9,127	9,127	9,127
Diluted weighted average shares outstanding	36,738	36,208	36,712	35,989
Diluted earnings per share	\$.35	\$.32	\$.67	\$.58

4. REVOLVING CREDIT AGREEMENTS AND EXTRAORDINARY CHARGE

On September 15, 2000, the Company entered into a new five year revolving credit agreement and a new 364 day credit agreement, the latter of which, subject to certain conditions, can be converted by the Company after 364 days to a two-year term loan, with a group of commercial banks. These agreements provide the Company with the ability to borrow, on an unsecured basis, up to \$375 million which, under certain conditions, can be increased by up to \$50 million, limited to certain borrowing base calculations. In addition, the agreements contain certain restrictive financial and non-financial covenants. As of September 30, 2000, the Company was in compliance with these covenants.

In conjunction with the financing, the Company repaid, prior to its maturity date, amounts outstanding under the previously existing commercial bank finance agreement and recognized an extraordinary charge for early extinguishment of debt of \$470, net of \$301 tax benefit, as a result of currently expensing financing fees associated with the former credit facility.

5. BUSINESS SEGMENT INFORMATION

The Company's operations are classified into two reporting segments: Computer Systems and Industrial Electronics. The Company's two reportable business segments are managed separately based on product and market differences.

Computer Systems products include mid-range computer systems, high-end platforms, personal computers, display terminals and networking products.

Industrial Electronics products include semiconductors and interconnect, passive and electromechanical products.

The Company evaluates performance and allocates resources based on return on capital and profitable growth. Specifically, the Company measures segment income or loss based on operating income.

Business Segment Information (Amounts in Thousands)

	Three months ended September 30,		Six months ended September 30,	
	2000	1999	2000	1999
Sales				
Computer Systems	\$326,354	\$293,832	\$ 643,051	\$ 571,945
Industrial Electronics	388,492	337,490	746,880	635,350
Total Sales	<u>\$714,846</u>	<u>\$631,322</u>	<u>\$1,389,931</u>	<u>\$1,207,295</u>
Operating Income				
Computer Systems	\$ 4,898	\$ 9,389	\$ 9,439	\$ 19,148
Industrial Electronics	24,629	14,831	46,853	27,204
Total Operating Income	<u>\$ 29,527</u>	<u>\$ 24,220</u>	<u>\$ 56,292</u>	<u>\$ 46,352</u>
Reconciliation to Income Before Income Taxes				
Other income	(426)	(146)	(471)	(334)
Gain on sale of assets	—	(1,845)	—	(1,845)
Interest expense	8,296	6,326	15,933	12,422
Income Before Income Taxes	<u>\$ 21,657</u>	<u>\$ 19,885</u>	<u>\$ 40,830</u>	<u>\$ 36,109</u>

6. COMPANY-OBLIGATED MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SECURITIES OF SUBSIDIARY TRUST

In March 1998 and April 1998, Pioneer-Standard Financial Trust (the "Trust") issued a total of \$143.7 million of 6 3/4% Mandatorily Redeemable Convertible Trust Preferred Securities (the "Trust Preferred Securities"). The Trust, a statutory business trust, is a wholly-owned consolidated subsidiary of the Company, with its sole asset being \$148.2 million aggregate principal amount of 6 3/4% Junior Convertible Subordinated Debentures due March 31, 2028 of Pioneer-Standard Electronics, Inc. (the "Trust Debenture"). The Company has executed a guarantee with regard to the Trust Preferred Securities. The guarantee, when taken together with the Company's obligations under the Trust Debenture, the indenture pursuant to which the Trust Debenture was issued, and the applicable Trust Document, provides a full and unconditional guarantee of the Trust's obligations under the Trust Preferred Securities.

7. CONTINGENCIES

The Company is the subject of various threatened or pending legal actions and contingencies in the normal course of conducting its business. The Company provides for costs related to these matters when a loss is probable and the amount is reasonably estimable. The effect of the outcome of these matters on the Company's future results of operations and liquidity cannot be predicted because any such effect depends on future results of operations and the amount or timing of the resolution of such matters. While it is not possible to predict with certainty, management believes that the ultimate resolution of such matters will not have a material adverse effect on the consolidated financial position or results of operations of the Company.

8. ACCOUNTING STANDARDS NOT YET ADOPTED

In June, 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires companies to recognize all derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. In June 1999, the FASB delayed the effective date of this Statement for one year to fiscal years beginning after June 15, 2000. The FASB cited the reason for this delay was to address concerns about a company's ability to modify their information systems and educate their managers in time to apply this Statement.

In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." This Statement amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and hedging activities. The Company will adopt these Statements on April 1, 2001 and is in the process of determining the effect that adoption will have on its financial statements.

On December 3, 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 – Revenue Recognition in Financial Statements ("SAB 101"). SAB 101 summarizes certain of the SEC staff's views in applying generally accepted accounting principals to revenue recognition in financial statements. SAB 101 is effective for companies no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. For the Company, the effective date is the quarter ending March 31, 2001. The Company is in the process of reviewing its revenue recognition policies and procedures to ensure it will be in compliance with the requirements of SAB 101. Pioneer does not anticipate making significant changes to the Company's revenue recognition policies to satisfy the requirements of SAB 101.

PIONEER-STANDARD ELECTRONICS, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

Three Months ended September 30, 2000 Compared with the Three Months ended September 30, 1999

Following are the Net Sales, Cost of Goods Sold, Operating Expenses and Operating Income for the three month period ended September 30, 2000 as compared to the same period in fiscal 2000, by segment where available.

	(In Thousands)			
	For the three months ended September 30,			
	2000	% of Sales	1999	% of Sales
Net Sales				
Computer Systems	\$326,354	45.7%	\$293,832	46.5%
Industrial Electronics	388,492	54.3%	337,490	53.5%
	<u>\$714,846</u>	100.0%	<u>\$631,322</u>	100.0%
Cost of Goods Sold	\$605,691	84.7%	\$535,104	84.8%
Warehouse, Selling and Administrative Expenses	\$ 79,628	11.1%	\$ 71,998	11.4%
Operating Income				
Computer Systems	\$ 4,898	1.5%	\$ 9,389	3.2%
Industrial Electronics	24,629	6.3%	14,831	4.4%
	<u>\$ 29,527</u>	4.1%	<u>\$ 24,220</u>	3.8%

Net Sales. Net Sales for the three month period ended September 30, 2000 increased \$83.5 million or 13% over net sales in the prior three month period ended September 30, 1999. Both of the Company's segments contributed to this increase. The Industrial Electronics Division accounted for \$388.4 million in sales for the quarter, a 15% increase over the same quarter in the prior year. The Computer Systems Division accounted for \$326.4 million in sales, an 11% increase over the prior year. Growth in the Internet, communications and computer markets is driving demand for technology products. The semiconductor market, served by the Industrial Electronics Division, is having a record year, which has contributed to the increase in sales for this division. The increase in sales for the Computer Systems Division was the result of the strong demand for mid-range computer systems, storage and software.

Cost of Goods Sold. Cost of Goods Sold increased \$70.6 million or 13%, comparable to the increase in sales, over the prior year quarter. The Company's gross margin percentage was comparable to the second quarter of fiscal 2000. Gross margin has been positively impacted by the continued high demand in the semiconductor market, with its increased average selling prices and long lead times. Offsetting this positive impact was the continued shift in mix to lower-margin computer products.

Warehouse, Selling and Administrative Expenses. Warehouse, Selling and Administrative Expenses increased \$7.6 million over the prior year quarter, but decreased slightly as a percentage of sales. A portion of the increase in operating expenses can be attributed to an increase in compensation and fringes, specifically sales incentives, as more incentives were paid on higher sales performance. In addition to compensation increases, outside services and occupancy expenses have increased over the prior year. The Company is currently implementing several

business initiatives and has employed a number of outside resources to help with the implementation of these projects. Occupancy increased as a full year impact of leasing new facilities was realized.

Operating Income. Operating income resulting from the activity described above was \$29.5 million, an increase of \$5.3 million, or 22% over the three months ended September 30, 1999. Operating income for the Computer Systems Division was 1.5% of sales for the current quarter, compared with 3.2% a year ago. Operating income for the Industrial Electronics Division was 6.3%, compared with 4.4% one year ago. A shift in mix and this quarter's limited availability of certain computer products pressured the Computer Systems division's operating margins.

Six Months ended September 30, 2000 Compared with the Six Months ended September 30, 1999

	For the six months ended September 30,			
	(In Thousands)			
	2000	% of Sales	1999	% of Sales
Net Sales				
Computer Systems	\$ 643,051	46.3%	\$ 571,945	47.4%
Industrial Electronics	746,880	53.7%	635,350	52.6%
	\$1,389,931	100.0%	\$1,207,295	100.0%
Cost of Goods Sold	\$1,177,694	84.7%	\$1,021,803	84.6%
Warehouse, selling and administrative expenses	\$ 155,945	11.2%	\$ 139,140	11.5%
Operating Income				
Computer Systems	\$ 9,439	1.5%	\$ 19,148	3.3%
Industrial Electronics	46,853	6.3%	27,204	4.3%
	\$ 56,292	4.0%	\$ 46,352	3.8%

Net Sales. Net Sales for the six month period ended September 30, 2000 increased \$182.6 million or 15% over net sales in the prior six month period ended September 30, 1999. The Industrial Electronics Division, accounted for \$746.9 million in sales for the period, an 18% increase over the prior year period. The Computer Systems Division accounted for \$643.1 million in sales, a 12% increase over the prior year. The growth in the demand for technology products recognized in the first quarter of fiscal 2001, continued in the second quarter, resulting in a strong sales performance for the year-to-date.

Cost of Goods Sold. Cost of Goods Sold increased \$155.9 million or 15%, comparable to the increase in sales. The improvement in gross margin from the Industrial Electronics business was offset by the shift in mix to lower margin products and competitive pressures in the Computer Systems business.

Warehouse, Selling and Administrative Expenses. Warehouse, Selling and Administrative Expenses increased \$16.8 million, or 12%, over the prior year six months ended. The year-to-date increases are a result of increases in compensation and fringes, outside services and occupancy expense.

Operating Income. Operating income resulting from the activity described above was \$56.3 million, an increase of \$9.9 million, or 21% over the six months ended September 30, 1999. Operating profit as a percentage of sales increased marginally over the prior year-to-date amount. This improvement was the result of an increase in operating income in the Industrial Electronics business, offset by a decrease in operating income in the Computer Systems business.

Other Income and Expense, Income Taxes and Net Income

The components of other (income) expense and the effective tax rate for the three and six months ended September 30 are as follows:

	Three Months		Six Months	
	2000	1999	2000	1999
Other income	\$ (426)	\$(1,991)	\$ (471)	\$(2,179)
Interest expense	\$8,296	\$ 6,326	\$15,933	\$12,422
Effective Tax Rate	39.1%	40.9%	39.0%	42.0%

In the prior year, other income for both the three and six months ended reflected a \$1.8 million gain on the sale and disposal of assets no longer required in the business. Interest expense increased for both the three and six month periods ended September 30, 2000 as compared with the same periods in 1999 primarily due to an increase in the average outstanding borrowings on the line of credit, as well as an increase in the effective interest rate over the prior year. Average outstanding borrowings have increased in order to fund increased working capital needs.

The effective tax rate for the six months ended September 30, 2000 was lower compared to the same period a year ago due to the recognition of tax benefits related to operating loss carryforwards from the Company's Canadian subsidiary.

As a result of the previously noted items, Income before Extraordinary Charge for the three and six month periods ended September 30, 2000 increased over the prior year by 14% and 22%, respectively to \$11.7 million, or \$.36 per diluted share, and \$21.9 million, or \$.68 per diluted share, respectively.

During the three month period ended September 30, 2000, the Company entered into new revolving credit agreements. In conjunction with this, the Company repaid, prior to its maturity date, the previously existing revolver and recognized an extraordinary charge for early extinguishment of debt of \$470, net of \$301 tax benefit, or \$.01 per share, as a result of currently expensing financing fees associated with the former credit facility.

Liquidity and Capital Resources

For the six month period ended September 30, 2000, net cash used for operating activities totaled \$54.3 million, as compared to \$15.8 million of net cash provided by operations for the same period in the prior year. At September 30, 2000, \$91.7 million of cash used for operating activities related to working capital and other changes. Current assets increased by \$119.5 million and current liabilities increased by \$12.1 million during the six-month period ended September 30, 2000, resulting in an increase of \$107.4 million in working capital, over the prior year. The current ratio was 3:1 at September 30, 2000 compared with 2.7:1 at March 31, 2000. The working capital increase related primarily to increases in accounts receivable and higher inventory levels, which increased to \$432.5 million and \$436.8 million, respectively, at September 30, 2000. Accounts receivable has increased as a result of increased sales for the month of September 2000, compared to sales in September, 1999. The inventory increase is the result of the Company taking advantage of several buying opportunities during the quarter, as well as an overall need to have increased inventory on hand to support the Company's sales growth.

Net cash used for investing activities was \$28.9 million for the six months ended September 30, 2000, compared to \$25.6 million for the same period in fiscal year 2000. This cash was used primarily to increase the Company's investment in a Taiwan affiliate, acquire a minority equity interest in a German computer systems distributor, acquire the remaining 49% interest of a company in which Pioneer previously held only a 51% interest and acquire an 85% interest in a software company.

Net cash provided by financing activities was \$89.1 million, as compared to \$20.4 million for the same six month period in the prior year. The increase between years primarily represents borrowings against the revolving line of credit to fund the increase in working capital.

On September 15, 2000 the Company entered into a new five year revolving credit agreement and a new 364 day credit agreement, the latter of which, subject to certain conditions, can be converted by the Company after 364 days to a two-year term loan, with a group of commercial banks. These agreements provide the Company with the ability to borrow, on an unsecured basis, up to \$375 million which, under certain conditions, can be increased by up to \$50 million, limited to certain borrowing base calculations. In addition, the agreements contain certain restrictive financial and non-financial covenants. As of September 30, 2000, the Company was in compliance with these covenants.

In conjunction with the financing, the Company repaid, prior to its maturity date, amounts outstanding under the previously existing commercial bank finance agreement. Concurrently with this transaction, the Company recognized an extraordinary charge for early extinguishment of debt of \$470 thousand, net of \$301 thousand tax benefit, as a result of currently expensing financing fees associated with the former credit facility.

Management estimates that capital expenditures for the fiscal year 2001 will approximate \$25 million, which includes approximately \$7.0 million for the conversion and implementation to an Oracle financial reporting system. Total capital expenditures during the first half of fiscal year 2001 were \$8.1 million. Under present business conditions, it is anticipated that funds from current operations and available credit facilities will be sufficient to finance both capital spending and working capital needs for the balance of the current fiscal year.

The Company capitalized approximately \$34.2 million in fiscal 1998 and 1999 in connection with the acquisition and installation of an enterprise-wide information technology ("IT") system. Amounts representing approximately \$11.5 million of these expenditures were operational in fiscal 1999 and \$8.5 million are planned to become operational in conjunction with the implementation of the Oracle financial systems in the current fiscal year. The balance of \$14.2 million represents work-in-process components which are not yet operational. The Company is evaluating these components and presently has no reason to believe that they will not become operational.

Portions of this report contain current management expectations which may constitute forward-looking information. All statements that address operating performance, events or developments that management anticipates will occur in the future, including statements relating to future revenue, profits, expenses, income and earnings per share or statements expressing general optimism about future results, are forward-looking statements within the meaning to Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). In addition, words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," variations of such words, and similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to safe harbors created in the Exchange Act. The Company's performance may differ materially from that contemplated by such statements for a variety of reasons, including, but not limited to: competition, dependence on the computer market, inventory obsolescence and technology changes, dependence on key suppliers, effects of industry consolidation, risks and uncertainties involving acquisitions, instability in world financial markets, downward pressure on gross margins, uneven patterns of inter-quarter and intra-quarter sales, and management of growth of the business.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, operations of the Company are exposed to continuing fluctuations in foreign currency values and interest rates that can affect the cost of operating and financing. Accordingly, the Company addresses a portion of these risks through a program of risk management that includes the use of derivative financial instruments. The Company's objective is to reduce earnings volatility associated with these fluctuations. The Company does not enter into any derivative transactions for speculative purposes.

The Company's primary interest rate risk exposure results from the revolving credit facility's various floating rate pricing mechanisms. This interest rate exposure is managed by interest rate swaps to fix the interest rate on a portion of the debt and the use of multiple maturity dates. If interest rates were to increase 100 basis points (one percent) from September 30, 2000 rates, and assuming no changes in debt from September 30, 2000 levels, the additional annualized net expense, after tax, would be approximately \$1.3 million or \$.04 per diluted share.

The Company has investments, assets, liabilities and cash flows in foreign currencies creating foreign exchange risk. The primary foreign currencies creating foreign exchange risk are the Canadian dollar, British pound, German mark, and New Taiwan dollar. Monthly measurement, evaluation and forward exchange contracts are employed as methods to reduce this risk. The table below summarizes information on instruments that are sensitive to foreign currency exchange rates. At September 30, 2000, the Company held the following foreign exchange contracts:

Contract Terms	Functional Contract Amount	Exchange Rate	Maturity Date
Pay US\$/ Receive CDN \$	US \$2,500,000	1.5059	10/31/2000
Pay British Pound/ Receive US\$	BP 3,000,000	1.4080	10/2/2000

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Shareholders held on July 25, 2000 (the "Annual Meeting"), the shareholders voted to elect Arthur Rhein, Charles F. Christ and Thomas C. Sullivan each to an additional three-year term as a Director of the Company. Following is a summary of the voting:

<u>Votes</u>	<u>Arthur Rhein</u>	<u>Charles F. Christ</u>	<u>Thomas C. Sullivan</u>
For	29,307,080	29,109,461	29,249,835
Withheld	743,997	941,616	801,242

The term of office of the following Directors of the Company continued after the Annual Meeting: James L. Bayman, Thomas A. Commes, Victor Gelb, Keith M. Kolerus, Edwin Z. Singer, and Karl E. Ware.

At the Annual Meeting, shareholders voted to adopt the 2000 Stock Option Plan for Outside Directors providing for the granting of options for up to 105,000 Common Shares. The following is a summary of the voting:

<u>Votes</u>	
For	21,992,780
Against	3,970,280
Abstaining	645,485

Also at the Annual Meeting, shareholders voted for the Approval of the 2000 Stock Incentive Plan providing for the granting of options and other stock awards for up to 2,000,000 Common Shares. The following is a summary of the voting:

<u>Votes</u>	
For	19,943,444
Against	6,049,617
Abstaining	515,484

Also at the Annual Meeting, shareholders voted for the approval of the 2000 Annual Incentive Plan. The following is a summary of the voting:

<u>Votes</u>	
For	23,600,351
Against	2,276,075
Abstaining	632,119

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

<u>Number</u>	<u>Description</u>
10.1	Amended and Restated Employment agreement, effective April 1, 2000, between Pioneer-Standard Electronics, Inc. and James L. Bayman
10.2	Amended and Restated Employment agreement, effective April 1, 2000, between Pioneer-Standard Electronics, Inc. and Arthur Rhein

- 10.3 Employment agreement, effective April 24, 2000, between Pioneer-Standard Electronics, Inc. and Steven M. Billick
 - 10.4 Five-Year Credit Agreement Dated as of September 15, 2000, among Pioneer-Standard Electronics, Inc., the Foreign Subsidiary Borrowers, the Lenders, and Bank One, Michigan as Agent, Banc One Capital Markets, Inc. as Lead Arranger and Sole Book Runner, KeyBank National Association as Syndication Agent, and ABN AMRO Bank, N.V., as Documentation Agent.
 - 10.5 364-Day Credit Agreement Dated as of September 15, 2000, among Pioneer-Standard Electronics, Inc., the Lenders, Bank One, Michigan as Agent, Banc One Capital Markets, Inc. as Lead Arranger and Sole Book Runner, KeyBank National Association, as Syndication Agent, and ABN AMRO Bank, N.V., as Documentation Agent.
 - 27 Financial Data Schedule
 - (b) Reports on Form 8-K
- None.

SIGNATURES

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.

Date:	<u>November 13, 2000</u>	PIONEER-STANDARD ELECTRONICS, INC. /S/ James L. Bayman
		James L. Bayman Chairman & CEO
Date:	<u>November 13, 2000</u>	/S/ Steven M. Billick
		Steven M. Billick Senior Vice President & CFO