

RICHARDSON ELECTRONICS LTD/DE  
Form DEFM14A  
December 21, 2010

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**Richardson Electronics, Ltd.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  
  - (2)

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Aggregate number of securities to which transaction applies:

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

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- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
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**RICHARDSON ELECTRONICS, LTD.**

**40W267 Keslinger Road**

**P.O. Box 393**

**LaFox, Illinois 60147-0393**

Dear Stockholders:

It is my pleasure to invite you to a special meeting of the stockholders of Richardson Electronics, Ltd. to be held on January 13, 2011 at 3:15 p.m., Central time, at our corporate headquarters at 40W267 Keslinger Road, LaFox, Illinois 60147.

At the special meeting, you will be asked to consider and vote upon a proposal to sell to Arrow Electronics, Inc. all of the assets primarily used or held for us in our RF, Wireless and Power Division business unit, certain other Company assets, and certain liabilities, pursuant to an acquisition agreement, dated October 1, 2010.

After careful consideration, our Board of Directors determined that the proposed transaction and the related acquisition agreement are advisable and in the best interests of Richardson Electronics. Our Board of Directors unanimously approved the proposed transaction and recommends that you vote "FOR" the proposal to approve the transaction.

Whether or not you plan to attend the special meeting, we ask that you promptly sign, date and return the enclosed proxy card or voting instruction card in the envelope provided, or submit your proxy by telephone or over the Internet (if those options are available to you) in accordance with the instructions on the enclosed proxy card or voting instruction card.

The enclosed proxy statement provides you with detailed information about the special meeting, the proposed transaction and the Acquisition Agreement. A copy of the Acquisition Agreement is attached as Annex A to the proxy statement. We encourage you to read the proxy statement and all annexes thereto carefully and in their entirety. You may also obtain additional information about us from documents we have filed with the Securities and Exchange Commission.

Thank you in advance for your continued support and your consideration of this matter.

Best regards,

EDWARD J. RICHARDSON

*Chairman of the Board, Chief Executive Officer and  
President*

LaFox, Illinois  
December 23, 2010

*This proxy statement is dated December 23, 2010 and is first being mailed to stockholders  
on or about December 23, 2010.*

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**RICHARDSON ELECTRONICS, LTD.**

40W267 Keslinger Road  
P.O. Box 393  
LaFox, Illinois 60147-0393

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JANUARY 13, 2011**

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To our Stockholders:

Notice is hereby given that a special meeting of the stockholders of Richardson Electronics, Ltd. will be held on January 13, 2011 at 3:15 p.m., Central time, at our corporate headquarters at 40W267 Keslinger Road, LaFox, Illinois 60147. At the special meeting or any postponement, adjournment or delay thereof (the "Special Meeting"), you will be asked to consider and vote upon the following proposals:

1. to approve the sale to Arrow Electronics, Inc. of all of the assets primarily used or held for use in our RF, Wireless and Power Division business unit, certain other Company assets, and certain liabilities (the "Transaction"), pursuant to the Acquisition Agreement, dated October 1, 2010 (the "Acquisition Agreement"), by and among Richardson Electronics, Ltd., certain subsidiaries of Richardson Electronics, Ltd. and Arrow Electronics, Inc.; and
2. to transact such other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on December 13, 2010 are entitled to notice of and to vote at the Special Meeting.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL TO APPROVE THE TRANSACTION.**

The affirmative vote of the holders of a majority of the voting power of our outstanding shares of our common stock is required to approve the Transaction.

The proxy statement accompanying this notice provides a more complete description of the matters to be acted upon at the Special Meeting. We encourage you to read the proxy statement and all annexes thereto carefully and in their entirety.

By order of the Board of Directors,

EDWARD J. RICHARDSON  
*Chairman of the Board, Chief Executive Officer and  
President*

LaFox, Illinois  
December 23, 2010

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ANNEX E	Pro Forma Consolidated Financial Statements of Richardson Electronics, Ltd. for the Years Ended May 30, 2009 and May 29, 2010 and the Three Months Ended August 28, 2010

**TRADEMARKS AND COPYRIGHTS**

*We own or have rights to trademarks, service marks and trade names that we use in conjunction with the operation of our business including, without limitation, the following: Richardson Electronics™, AmpereX™, National Electronics™, National®, Canvys™, Image Systems®, and Pixelink®. Each trademark, service mark or trade name of any other company appearing in this proxy statement belongs to its*

*holder.*

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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE TRANSACTION**

*The following questions and answers are intended to address briefly some commonly asked questions regarding the Transaction, the Acquisition Agreement and the Special Meeting. These questions and answers may not address all questions that may be important to you as a stockholder of Richardson Electronics, Ltd. Please refer to the "Summary" beginning on page 8 and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement. See "Where You Can Find Additional Information" beginning on page 57.*

*Unless the context otherwise requires, in this proxy statement, (i) references to "Richardson Electronics, Ltd.," "Richardson Electronics," "we," "our," "us" and "the Company" refer to Richardson Electronics, Ltd. and its subsidiaries, (ii) references to "RFPD" refer to the RF, Wireless and Power Division of the Company, (iii) references to "the Board" refer to the board of directors of the Company, (iv) references to "Arrow Electronics" refer to Arrow Electronics, Inc., (v) references to the "Acquisition Agreement" refer to that certain acquisition agreement, dated October 1, 2010, by and among the Company, the subsidiaries of the Company signatory thereto and Arrow Electronics, and (vi) references to the "Transaction" refer to the sale of the assets of RFPD and certain other assets pursuant to the Acquisition Agreement.*

**Q: Why did I receive these materials?**

A:

We have entered into an Acquisition Agreement to sell to Arrow Electronics Inc. ("Arrow Electronics") all of the assets primarily used or held for use in, and certain liabilities of, our RF, Wireless & Power Division ("RFPD"), as well as certain other Company assets, including our information technology assets, in exchange for \$210 million in cash (the "Transaction"). The terms of the Transaction are more fully described below under "The Transaction" beginning on page 17. A copy of the Acquisition Agreement is attached to this proxy statement as Annex A. The Board is soliciting your proxy to vote at a special meeting of our stockholders (the "Special Meeting") being held for the purpose of obtaining stockholder approval for the Transaction.

**Q: What do I need to do now?**

A:

We urge you to carefully read this proxy statement, including its annexes, and to consider how the Transaction will affect you. Even if you plan to attend the Special Meeting, if you hold your shares in your own name as the stockholder of record, please vote your shares by signing, dating and returning the enclosed proxy card. You can also attend the Special Meeting and vote by ballot in person. If you hold your shares in "street name," follow the procedures provided by your bank, broker or other nominee.

**Q: Why does the Transaction require stockholder approval?**

A:

The Board is seeking stockholder approval of the Transaction because we are a Delaware corporation and the Transaction may constitute the sale of "substantially all" of our property and assets under Section 271 of the General Corporation Law of the State of Delaware (the "DGCL"). Section 271 of the DGCL requires that a Delaware corporation obtain the approval of the stockholders for the sale of "all or substantially all of its property and assets." Additionally, approval of the Transaction by stockholders is a closing condition under the Acquisition Agreement.

**Q: What will the net proceeds from the Transaction be and what will they be used for?**

A:

We expect the net proceeds from the Transaction to be approximately \$180 million. However, the actual proceeds available to us is subject to uncertainties. See "The Transaction Material United States Federal Income Tax Consequences" beginning on page 35. We have not yet determined how we will use the proceeds, but we may use them for a variety of purposes, including any or all of the following: strategic acquisitions, repurchases of outstanding shares of common stock, dividends to stockholders and general corporate purposes. Among the strategic acquisitions that we may consider are acquisitions of companies involved in engineering and manufacturing electronic equipment, including equipment used in alternative energy markets.

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**Q: What will happen if the Transaction is not approved by stockholders or is not completed for any other reason?**

A:

If the Transaction is not completed: (i) in certain circumstances, we will be required to pay to Arrow Electronics a termination fee of \$8,400,000, plus up to \$1,600,000 of Arrow Electronics' expenses incurred in connection with the Transaction, (ii) we may have difficulty recouping the significant transaction costs incurred in connection with the Transaction, (iii) our relationships with customers, business partners and employees of RFPD may be damaged and the business of RFPD may be harmed, and (iv) the market price for our common stock may decline.

**Q: When is the Transaction expected to be completed?**

A:

If the Transaction is approved by stockholders at the Special Meeting, we expect to complete the Transaction in early 2011. However, the Transaction is subject to various regulatory clearances and the satisfaction or waiver of other conditions, and it is possible that factors outside of our control could result in the Transaction being completed at a later date or not at all. There may be a substantial amount of time between the Special Meeting and the completion of the Transaction. While the exact timing of the completion of the Transaction cannot be predicted, the Acquisition Agreement may be terminated by any of the parties if the closing has not occurred on or before April 1, 2011.

**Q: How will Arrow Electronics finance the Transaction?**

A:

Arrow Electronics intends to finance the Transaction with available cash. The Transaction is not conditioned on Arrow Electronics securing third-party financing.

**Q: How will the Transaction affect outstanding equity awards held by our directors, executive officers and other employees?**

A:

The Transaction will have no affect on the outstanding equity awards held by our directors, executive officers and other employees, other than the extension of the termination date for options held by executive officers and other employees affiliated with RFPD and being hired by Arrow Electronics as a result of the Transaction (the "Transferred Employees"). For the Transferred Employees, the period during which they may exercise their Company stock options will be extended from 90 days to one year after termination of employment with us.

**Q: Will the Transaction trigger any payments to our current or former executive officers or directors?**

A:

All of our executive officers participate in the 2011 incentive plan, which establishes financial metrics and other performances objectives for each executive officer. Under the 2011 incentive plan, each executive officer, other than Wendy Diddell, our Executive Vice President of Corporate Development, has a portion of his or her annual bonus opportunity based on our annual net income after taxes. In addition, Edward J. Richardson, our Chairman of the Board, Chief Executive Officer and President, participates in the Edward J. Richardson Incentive Compensation Plan. Under the plan, Mr. Richardson is eligible for an annual cash bonus equal to 2% of our annual net income after taxes.

Awards under both plans are subject to the discretion of the compensation committee and, if the Transaction is completed, the compensation committee may determine to include within net income for fiscal 2011 some or all of the proceeds from the Transaction and may therefore award bonuses to some or all of our executive officers based on net income generated from the Transaction. However, the compensation committee has not made any decision on these matters and such decision will be made in 2011 once the financial results for the year ended May 29, 2011 are known. For additional information regarding these matters, see "The Transaction Interests of Our Directors and Executive Officers in the Transaction" beginning on page 33.



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**Q: Will Richardson Electronics continue to be publicly traded on The NASDAQ Global Market and subject to rules and regulations of the Securities and Exchange Commission ("SEC")?**

A:

Yes. Whether or not the Transaction is completed, we expect to continue to be publicly traded on The NASDAQ Global Market and to remain subject to the rules and regulations of the SEC, including the periodic reporting requirements of the Securities Exchange Act of 1934, as amended.

**Q: What will be the nature of our business following completion of the Transaction?**

A:

After the Transaction is completed, we will have two remaining divisions: Electron Device Group ("EDG") and Canvys. EDG provides engineered solutions including manufacturing and distributing electronic components and equipment to customers in diverse markets including the steel, automotive, textile, plastics, semiconductor manufacturing, and broadcast industries. Our team of engineers design solutions based on high power/ high frequency vacuum devices for applications such as industrial heating, laser technology, semiconductor manufacturing equipment, radar, and welding. Canvys is a global provider of integrated display products, workstations, and value-add services to the healthcare, industrial and medical original equipment manufacturer ("OEM"), and digital signage markets. We offer custom display solutions that include touch screens, protective panels, custom enclosures, specialized cabinet finishes, application specific software packages, and our own privately branded display products. In addition, we partner with leading branded hardware vendors to offer the highest quality liquid crystal displays, mounting devices, and customized computing platforms. On a combined basis, EDG and Canvys had net sales of \$135.4 million in the year ended May 29, 2010 and \$37.5 million in the three months ended August 28, 2010. For additional information regarding these matters, see "Unaudited Condensed Consolidated Financial Information."

**Q: What am I being asked to vote on at the Special Meeting?**

A:

You will be asked to consider and vote upon the following proposals: to approve the sale to Arrow Electronics of all of the assets primarily used or held for use in RFPD, certain other Company assets, and certain liabilities, pursuant to the Acquisition Agreement.

**Q: How does the Board recommend that I vote?**

A:

After careful consideration of a variety of factors described in this proxy statement, the Board unanimously recommends that you vote "FOR" the proposal to approve the Transaction. You should read "The Transaction Reasons for the Transaction" beginning on page 24 for a discussion of the factors that the Board considered in deciding to recommend approval of the Transaction.

**Q: When and where is the Special Meeting?**

A:

The Special Meeting will be held on January 13, 2011 at 3:15 p.m., Central time, at our corporate headquarters at 40W267 Keslinger Road, LaFox, Illinois 60147.

**Q: Who is entitled to vote at the Special Meeting?**

A:

Only stockholders at the close of business on December 13, 2010, the record date for the Special Meeting (the "Record Date"), are entitled to notice of and to vote at the Special Meeting. If you hold your shares through a bank, broker or other nominee (in "street name"), you must obtain from the record holder a "legal proxy" issued in your name in order to vote in person at the Special Meeting. At the close of business on the Record Date, there were 14,975,209 shares of our common stock and 3,001,961 shares of our Class B common stock outstanding and entitled to vote, representing 44,994,819 votes.

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**Q: Am I entitled to appraisal rights in connection with the Transaction?**

A:  
No. Delaware law does not provide for stockholder appraisal rights in connection with the Transaction.

**Q: What vote is required for stockholders to approve the Transaction?**

A:  
The affirmative "FOR" vote of the holders representing a majority of the voting power of the outstanding shares of our common stock and our Class B common stock, voting together, is required to approve the Transaction. At the record date, shares representing 22,497,410 votes constituted a majority and Mr. Richardson held shares representing 29,806,486 votes, which represent approximately 66% of our voting power. In connection with the execution of the Acquisition Agreement, Mr. Richardson and Arrow Electronics entered into a voting agreement pursuant to which Mr. Richardson has appointed certain officers of Arrow Electronics as proxy for him to vote all of his shares at the special meeting for the Transaction.

**Q: How many shares must be present or represented to conduct business at the Special Meeting?**

A:  
A quorum must be present or represented at the Special Meeting for our stockholders to conduct business at the Special Meeting. We will have a quorum for the Special Meeting if the holders outstanding shares of our common stock entitled to vote at the Special Meeting and representing a majority of the voting power, or 22,497,410 votes, are present at the Special Meeting, either in person or represented by proxy. Abstentions and "broker non-votes" are counted as present for the purpose of determining whether a quorum is present. Generally, a broker non-vote occurs on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In connection with the execution of the Acquisition Agreement, Mr. Richardson and Arrow Electronics entered into a voting agreement pursuant to which Mr. Richardson has appointed certain officers of Arrow Electronics as proxy for him to vote all of his shares at the special meeting for the Transaction.

**Q: How do I vote?**

A:  
You may vote using any of the following methods:

Proxy card or voting instruction card. Be sure to complete, sign and date the card and return it in the prepaid envelope.

By telephone or over the Internet. If you hold shares in street name, you will receive separate voting instructions from your bank, broker or other nominee and may vote by telephone or over the Internet if they offer that alternative. Although most brokers, banks and nominees offer telephone and Internet voting, availability and the specific procedures vary.

In person at the Special Meeting. All stockholders may vote in person at the Special Meeting. You may also be represented by another person at the Special Meeting by executing a proper proxy designating that person. If you hold shares in street name, you must obtain a legal proxy from your bank, broker or other nominee and present it to the inspector of election with your ballot when you vote at the Special Meeting.

**Q: How many votes do I have?**

A:  
Holders of our common stock are entitled to one vote for each share of our common stock owned as of the close of business on the record date. Holders of our Class B common stock are entitled to ten votes for each share of our Class B common stock owned as of the close of business on the record date.

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**Q: What can I do if I change my mind after I vote my shares?**

A:

If you are a stockholder of record, you may revoke your proxy at any time before it is voted at the Special Meeting by:

sending a written notice of revocation to our Corporate Secretary;

submitting a new, properly completed proxy dated later than the date of the revoked proxy;

voting over the Internet at a later time; or

attending the Special Meeting and voting in person.

If you hold shares in street name through your bank, broker or other nominee, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also vote in person at the Special Meeting if you obtain a legal proxy as described in the answer to the next question. Attendance at the Special Meeting will not, by itself, revoke a proxy.

**Q: How can I attend the Special Meeting?**

A:

You are entitled to attend the Special Meeting only if you were a stockholder of the Company as of the close of business on December 13, 2010, the Record Date for the Special Meeting, or hold a valid proxy for the Special Meeting. You should be prepared to present photo identification for admittance. In addition, if you are a stockholder of record, your ownership will be verified against the list of stockholders of record on the Record Date prior to being admitted. If you are not a stockholder of record but hold shares in street name, you should be prepared to provide proof of beneficial ownership as of the Record Date (such as your most recent account statement prior to the Record Date), a copy of the voting instruction card provided to you by your bank, broker, or other nominee, or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the Special Meeting.

The Special Meeting will begin promptly on January 13, 2011 at 3:15 p.m., Central time.

**Q: What happens if additional matters are presented at the Special Meeting?**

A:

Other than the two items of business described in this proxy statement, we are not aware of any other business to be acted upon at the Special Meeting. If you grant a proxy, the persons named as proxy holders, Edward Richardson and Kyle Badger, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Special Meeting.

**Q: What if I fail to vote or abstain from voting?**

A:

If you fail to vote or abstain from voting, including if you fail to instruct your broker, bank or other nominee to vote, it will have the effect of a vote "AGAINST" the Transaction.

**Q: What if I return a signed proxy card, but do not vote for the matter listed on the proxy card?**

A:

If you properly complete and sign your proxy card and timely return it, but do not indicate how your shares should be voted on the matter, the shares represented by your proxy will be voted as the Board recommends and, therefore, "FOR" the proposal to approve the Transaction.

**Q: If my shares are held in "street name" by my bank, broker or other nominee, will my bank, broker or other nominee vote my shares for me?**

A:

Your bank, broker or other nominee will only be permitted to vote your shares held in street name if you instruct them how to vote. You should follow the procedures on the voting instruction card provided by your bank, broker or other nominee regarding the voting of your shares. The failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote "AGAINST" the proposal to approve the Transaction.

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**Q: What do I do if I receive more than one proxy or set of voting instructions?**

A:

If your shares are registered differently or are held in more than one account, you may receive more than one proxy and/or set of voting instructions relating to the Special Meeting. To ensure that all of your shares are voted, please complete, sign, date and return each proxy card and voting instruction card that you receive, or vote your shares by telephone or over the Internet (if those options are available to you).

**Q: What is the deadline for voting my shares?**

A:

If you hold shares as the stockholder of record, your vote by proxy must be received before the polls close at the Special Meeting.

If you hold shares in street name, please follow the voting instructions provided by your broker, trustee or nominee. You may vote your shares in person at the Special Meeting only if you obtain a legal proxy from your bank, broker or other nominee and present it to the inspector of election with your ballot when you vote at the Special Meeting.

**Q: Is my vote confidential?**

A:

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Company or to third parties, except (i) as necessary to meet applicable legal requirements, (ii) to allow for the tabulation of votes and certification of the vote, and (iii) to facilitate a successful proxy solicitation.

**Q: What if I sell my shares before the Special Meeting?**

A:

If you sell your shares after the Record Date but before the Special Meeting you will still be entitled to vote at the Special Meeting.

**Q: Who will bear the cost of this solicitation?**

A:

We are making this solicitation and will bear the entire cost of the solicitation, including the preparation, assembly, printing and mailing of this proxy statement and any additional materials furnished to our stockholders. The initial solicitation of proxies by mail may be supplemented by telephone, fax, e-mail, Internet and personal solicitation by our directors, officers or other regular employees. No additional compensation for soliciting proxies will be paid to our directors, officers or other regular employees for their proxy solicitation efforts. We expect to reimburse banks, brokers and other persons for their reasonable out-of-pocket expenses in handling proxy materials for beneficial owners of our common stock.

**Q: Who can help answer any other questions that I have?**

A:

If you have additional questions about the Transaction, need assistance in submitting your proxy or voting your shares of our common stock, or need additional copies of this proxy statement or the enclosed proxy card, please contact us at Richardson Electronics, Ltd., 40W267 Keslinger Road, PO Box 393, LaFox, Illinois 60147-0393, Attention: Corporate Secretary.

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**SUMMARY**

*This summary highlights selected information contained in this proxy statement and may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement in their entirety. Each item in this summary includes a page reference directing you to a more complete description of that topic. See "Where You Can Find Additional Information" beginning on page 57.*

**The Parties to the Transaction (page 17)**

*Richardson Electronics, Ltd.*

Richardson Electronics, Ltd. is a global provider of engineered solutions and a global distributor of electronic components to the radio frequency ("RF"), wireless and power conversion, electron device, and display systems markets. Utilizing our core engineering and manufacturing capabilities, our strategy is to provide specialized technical expertise and value-add, or "engineered solutions." We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, and logistics for end products of its customers. More information is available online at [www.rell.com](http://www.rell.com). Our common stock trades on the NASDAQ Global Market under the ticker symbol RELI.

*Arrow Electronics, Inc.*

Arrow Electronics ([www.arrow.com](http://www.arrow.com)) is a global provider of products, services and solutions to industrial and commercial users of electronic components and enterprise computing solutions. Headquartered in Melville, N.Y., Arrow serves as a supply channel partner for over 900 suppliers and 125,000 original equipment manufacturers, contract manufacturers and commercial customers through a global network of more than 310 locations in 51 countries and territories. More information is available online at [www.arrow.com](http://www.arrow.com).

**The Special Meeting (page 14)**

*Date, Time, Place and Purpose (page 14)*

The Special Meeting will be held at our corporate headquarters at 40W267 Keslinger Road, LaFox, Illinois 60147, on January 13, 2011, at 3:15 p.m., Central time.

The purpose of the Special Meeting is for our stockholders to consider and vote upon the following proposals:

1. to approve the sale to Arrow Electronics of all of the assets primarily used or held for use in RFPD, certain other Company assets, and certain liabilities, pursuant to the Acquisition Agreement; and
2. to transact such other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

*Record Date, Quorum, Voting (page 14)*

Only holders of our common stock at the close of business on December 13, 2010, the Record Date, are entitled to notice of and to vote at the Special Meeting. As of the Record Date, there were 14,975,209 shares of our common stock and 3,001,961 shares of our Class B common stock outstanding and entitled to vote.

A quorum must be present or represented at the Special Meeting for our stockholders to conduct business at the Special Meeting. A quorum will be present or represented at the Special Meeting if the holders of a majority of the outstanding shares of our common stock entitled to vote at the Special

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Meeting and representing a majority of the voting power, or 22,497,410 votes, are present at the Special Meeting, either in person or represented by proxy.

Each share of our common stock entitles its holder to one vote on all matters properly coming before the Special Meeting. The affirmative "FOR" vote of the holders of a majority of the outstanding shares of our common stock is required to approve the Transaction pursuant to the Acquisition Agreement.

*Revocation of Proxies (page 15)*

Proxies received at any time before the Special Meeting and not revoked or superseded before being voted will be voted at the Special Meeting. If you are a stockholder of record, you may revoke your proxy at any time before it is voted at the Special Meeting by:

sending a written notice of revocation to our Corporate Secretary;

submitting a new, properly completed proxy dated later than the date of the revoked proxy;

voting over the Internet at a later time; or

attending the Special Meeting and voting in person.

If you hold shares in street name, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also vote in person at the Special Meeting if you obtain a legal proxy as described in the answer to the previous question. Attendance at the Special Meeting will not, by itself, revoke a proxy.

**The Transaction (page 17)**

*General*

On October 1, 2010, we entered into the Acquisition Agreement, pursuant to which we agreed to sell all of the assets of our RFPD business, and certain other assets, subject to stockholder approval. A copy of the Acquisition Agreement is attached as Annex A. We encourage you to read the Acquisition Agreement carefully and in its entirety.

*Recommendation of the Board (page 26)*

Taking into consideration the fairness opinion of Morgan Joseph LLC, referred to herein as Morgan Joseph, a copy of which is attached to this proxy statement as Annex B and other factors relating to the advisability and fairness of the Transaction, the Board determined that the Transaction is in the best interest of the Company and unanimously approved the Acquisition Agreement and the transactions contemplated thereby, including the Transaction, and unanimously recommends that you vote "FOR" the approval of the Transaction.

*Opinion of Morgan Joseph (page 26)*

At a meeting of the Board held on September 27, 2010, Morgan Joseph delivered its oral opinion, which it subsequently confirmed in writing, to the Board that, as of that date and based upon and subject to the assumptions and other matters described in the written opinion, the consideration to be received by us pursuant to the Acquisition Agreement was fair to us from a financial point of view. The complete text of Morgan Joseph's opinion, which sets forth the assumptions made, procedures followed, matters considered, and qualifications and limitations on and scope of the review undertaken by Morgan Joseph, is attached to this proxy statement as Annex B. You should read the Morgan Joseph opinion carefully and in its entirety. Morgan Joseph provided its opinion for the information and assistance of the Board in connection with and for the purpose of the Board's evaluation of the transaction contemplated by the Acquisition Agreement. The Morgan Joseph opinion does not address





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any other aspect of the Transaction, or any related transaction, and does not constitute a recommendation to any Company stockholder as to how that stockholder should vote or act on any matter relating to the Transaction.

*Net Proceeds from the Transaction and Their Expected Use (page 31)*

Pursuant to the Acquisition Agreement, aggregate consideration for the Transaction will consist of \$210 million in cash. The consideration may further increase or decrease based on a potential purchase price adjustment for working capital. Additionally, the net proceeds will vary based on final transaction expenses and taxes payable on the gain on sale. The Transaction will be a taxable event to us for United States federal income tax purposes. See "Material United States Federal Income Tax Consequences."

*Use of Proceeds*

We have not yet determined how we will use the proceeds, but we may use them for a variety of purposes, including any or all of the following: strategic acquisitions, repurchases of outstanding shares of common stock, dividends to stockholders and general corporate purposes, including further investment in our remaining businesses.

*Nature of our Business Following the Transaction (page 31)*

After the Transaction is completed, we will have two remaining divisions: Electron Device Group ("EDG") and Canvys. EDG provides engineered solutions including manufacturing and distributing electronic components and equipment to customers in diverse markets including the steel, automotive, textile, plastics, semiconductor manufacturing, and broadcast industries. Canvys is a global provider of integrated display products, workstations, and value-add services to the healthcare, industrial and medical original equipment manufacturer ("OEM"), and digital signage markets. On a combined basis, EDG and Canvys had net sales of \$135.4 million in the year ended May 29, 2010 and \$37.5 million in the three months ended August 28, 2010.

*Effect of the Transaction on Stock Options and Stock-Based Awards and Interests of Our Directors and Executive Officers in the Transaction (page 33)*

Under the terms of our outstanding non-qualified stock option agreements, an employee whose employment with us terminates has 90 days from the date of such termination to exercise vested but unexercised stock options that were held by such employee on the date of termination. In connection with the Transaction, we will be amending the terms of the outstanding non-qualified stock option agreements of those employees whose employment will transfer to Arrow Electronics at closing by extending the time period that they have to exercise their vested but unexercised options to the earlier of one year following termination of employment or the original term of the award. The transaction will have no effect on the stock options or stock-based awards held by our directors or executive officers.

*Appraisal Rights in Respect of the Transaction (page 34)*

Under Delaware law, our stockholders are not entitled to appraisal rights in connection with the Transaction.

**The Acquisition Agreement (page 40)**

*General (page 40)*

Under the terms of the Acquisition Agreement, Arrow Electronics will purchase all of the assets primarily used or held for use in RFPD, certain other Company assets, and certain liabilities from us

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and our subsidiaries for a purchase price of \$210 million, subject to potential working capital related adjustments.

*Restrictions on Solicitation of Other Offers (page 43)*

During the pendency of the Acquisition Agreement, we will not, and will cause our each of our affiliates and subsidiaries not to (a) directly or indirectly solicit, initiate or encourage the submission of any alternative acquisition proposals, (b) enter into any agreement with respect to any alternative acquisition proposal; or (c) directly or indirectly take any action to facilitate any inquiries or the making of any proposal that constitutes any alternative acquisition proposal.

*Non-Compete and Non-Solicitation (page 45)*

For a period of three years beginning after the closing, subject to certain customary exceptions, (a) the Sellers have agreed not to manufacture, distribute, market or sell any RFPD products or any products that are mechanically and electronically interchangeable with RFPD products anywhere in the world, provided that Sellers may manufacture such products if operating as a contract manufacturer to a customer or if it first offers RFPD the opportunity to purchase such products for distribution and (b) Arrow Electronics has agreed not to, and to cause its affiliates not to manufacture, distribute, market or sell any electron tubes anywhere in the world. The parties have also agreed to mutual restrictions on the solicitation of one another's employees for a period of three years from the closing, subject to certain restrictions.

*Conditions to Closing (page 46)*

Each party's obligations to close are subject to a number of customary closing conditions, including (a) the accuracy in all material respects of the other party's representations and warranties and the performance in all material respects of the other party's obligations under the Acquisition Agreement, (b) the approval of the Transaction by our stockholders, (c) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act relating to the Transaction; (d) the absence of any judicial order that prohibits the consummation of the Transaction; and (e) the delivery by each party of certain customary closing documents.

*Termination (page 46)*

The Acquisition Agreement may be terminated under a number of circumstances, including (a) by mutual written consent of us and Arrow Electronics; (b) by us or Arrow Electronics if the closing shall not have occurred on or before April 1, 2011, (c) by us or Arrow Electronics, if at our special stockholder meeting the Acquisition Agreement and transactions contemplated thereby are not approved, (d) by Arrow Electronics, if our Board withdraws or modifies its recommendation to our stockholders to approve the Transaction, or approves or recommends an alternative acquisition proposal, or (e) by us if we enter into an alternative agreement that we deem to be a superior deal, in accordance with the relevant provision of the Acquisition Agreement.

*Termination Fees and Expenses (page 46)*

Under certain circumstances, we may be obligated to pay a termination fee to Arrow Electronics equal to \$8,400,000, and in addition, to pay all of Arrow Electronics' transaction expenses, up to a maximum amount of \$1,600,000.

*Indemnification (page 47)*

Subject to certain limitations, the parties have each agreed to indemnify one another against and in respect of any and all losses incurred in connection with, arising from or as a result of a number of

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items, including (a) any breach, non-fulfillment or violation of the covenants made in the Acquisition Agreement, (b) any breach of any of the representations and warranties made in the Acquisition Agreement, and (c) any fraud, intentional misrepresentation or criminal acts committed on or prior to the Closing Date.

**Agreements Related to the Acquisition Agreement (page 49)**

*Voting Agreement (page 49)*

In order to induce Arrow Electronics to enter the Transaction, Arrow Electronics and Mr. Richardson, who beneficially owns and has the right to vote shares of our Common Stock and Class B Common Stock which collectively represent approximately 66% of the voting power of the issued and outstanding shares of our Common Stock and Class B Common Stock, have entered into a Voting Agreement pursuant to which Mr. Richardson has appointed Arrow Electronics' Secretary and Treasurer as proxy for him to vote all of his shares of our Common Stock and Class B Common Stock at the special meeting for the Transaction and against any proposal regarding any other alternative acquisition proposal for RFPD. The Voting Agreement automatically terminates if the Acquisition Agreement is terminated by its terms.

*Transition Services Agreement (page 49)*

To help facilitate the transition of RFPD to Arrow Electronics, the Company will agree to provide or cause to be provided to Arrow Electronics, certain financial support services, warehouse services, and access to facilities on a transitional basis commencing immediately following the Closing and in accordance with the terms and subject to the conditions set forth in the Transition Services Agreement. In addition, Arrow Electronics will agree to provide or cause to be provided to the Company, certain information technology services on a transitional basis following the Closing in accordance with the terms and subject to the conditions set forth in the transition services agreement. Arrow Electronics will also provide certain warehouse services, and access to facilities and equipment on a transitional basis to us following the Closing.

*LaFox Facility Lease (page 49)*

In connection with the Transaction, we will agree to lease to Arrow Electronics an approximately 25,375 square foot portion of the building that we own located at 40W267 Keslinger Road, LaFox, IL. Arrow Electronics will use the premises solely for office use in connection with the operation of the business formerly conducted by RFPD and other ancillary uses reasonably related thereto. The initial term of the Lease will be five years and Arrow Electronics will have the option to extend the term of the Lease for two additional periods of one year.

*Manufacturing Agreement (page 49)*

In connection with the Transaction, we will enter into a manufacturing agreement with Arrow Electronics for a term of three years. Pursuant to this manufacturing agreement, we will agree to manufacture and sell certain products used in the RFPD business to Arrow Electronics in accordance with the terms and subject to the conditions described therein.

*Trademark License Agreement (page 50)*

Pursuant to the Acquisition Agreement, we will enter into a trademark license agreement with Arrow Electronics, granting Arrow Electronics a worldwide, perpetual, royalty-free, non-exclusive right and license to certain of our marks for use in connection with the sale, offering for sale, advertising and promotion of goods and services of the RFPD business. The Trademark License Agreement will remain in effect, enforceable, and continue in perpetuity from the execution date unless terminated sooner under certain circumstances specified therein.

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**CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING INFORMATION**

Certain statements in this proxy statement may constitute "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities and Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. The terms "may," "should," "could," "anticipate," "believe," "continues," "estimate," "expect," "intend," "objective," "plan," "potential," "project" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that are difficult to predict. These statements are based on management's current expectations, intentions, or beliefs and are subject to a number of factors, assumptions, and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Future events, risks and uncertainties, individually or in the aggregate, could cause our actual results to differ materially from those expressed or implied in these forward-looking statements. The material factors and assumptions that could cause actual results to differ materially from current expectations include, without limitation, the following:

the inability to close the Transaction in a timely manner;

the inability to complete the Transaction due to the failure to obtain stockholder approval or the failure to satisfy other conditions to completion of the Transaction, including required regulatory and court approvals;

the failure of the transaction to close for any other reason;

the effect of the transaction on our business relationships, operating results and business generally;

the uncertainty surrounding the amount of after-tax proceeds that we will receive in connection with the Transaction;

the less diversified nature of our business and operations post-closing;

the non-competition provisions that we will be bound by post-closing;

the contingent liabilities that we will be taking on post-closing;

general competitive, economic, political and market conditions and fluctuations;

actions taken or conditions imposed by the United States and foreign governments; and

adverse outcomes of pending or threatened litigation or government investigations.

Additionally, we are subject to other factors that may affect future results of the Company described in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended May 29, 2010, and our Quarterly Report on Form 10-Q for the quarter ended August 28, 2010, which should be read in conjunction with this proxy statement. Readers are strongly urged to read the full cautionary statements contained in those materials. We undertake no obligation to update any such factor or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events, or otherwise.

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**THE SPECIAL MEETING**

**Date, Time and Place**

The Special Meeting will be held on January 13, 2011 at 3:15 p.m., Central time, at our corporate headquarters at 40W267 Keslinger Road, LaFox, Illinois 60147.

**Purpose of the Special Meeting**

The purpose of the Special Meeting is for our stockholders to consider and vote upon the following proposals:

1. to approve the sale to Arrow Electronics of all of the assets primarily used or held for use in RFPD, certain other Company assets, and certain liabilities, pursuant to the Acquisition Agreement; and
2. to transact such other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

**Record Date and Quorum**

Stockholders of record at the close of business on December 13, 2010, the record date, are entitled to notice of and to vote their shares at the Special Meeting. At the record date, 14,975,209 shares of our common stock, and 3,001,961 shares of our Class B common stock were issued and outstanding. The common stock is listed for trading on the Nasdaq Global Market under the symbol "RELL". The presence in person or by proxy of the holders of record of a majority of the combined voting power of the outstanding shares of common stock and Class B common stock entitled to vote is required to constitute a quorum for the transaction of business at the Special Meeting. Abstentions and broker non-votes (which occur when a broker indicates on a proxy card that it is not voting on a matter) are considered as shares present at the Special Meeting for the purpose of determining a quorum. If you hold your shares through a bank, broker or other nominee (in "street name"), you must obtain from the record holder a "legal proxy" issued in your name in order to vote in person at the Special Meeting.

**How to Vote**

Telephone and Internet voting information is provided on your proxy card. A control number, located on the proxy card, is designed to verify your identity, allow you to vote your shares and confirm that your voting instructions have been properly recorded.

If your shares are held in the name of a bank or broker, you should follow the voting instructions on the form you receive from the bank or broker. The availability of telephone or Internet voting will depend on your bank or broker's voting process. If you choose not to vote by telephone or Internet, please return your proxy card, properly signed, and the shares represented will be voted in accordance with your directions. You can specify your choices by marking the appropriate boxes on the proxy card.

If your proxy card is signed and returned without specifying choices, the shares will be voted FOR the approval of the transactions contemplated by the Acquisition Agreement, and otherwise in the discretion of the proxies referenced in the proxy card.

We know of no other matters scheduled to come before the meeting. If any other matters properly come before the meeting, the proxies solicited hereby will be voted on such matters in the discretion of the persons voting such proxies, except proxies that are marked to deny discretionary authority.

We encourage you to vote your shares in advance of the Special Meeting date even if you plan on attending the Special Meeting.

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**Vote Required**

Holders of common stock are entitled to one vote for each share of common stock held on the record date, and holders of the Class B common stock are entitled to ten votes for each share of Class B common stock held on the record date. If a quorum is present at the Special Meeting, the affirmative vote of a majority of the combined voting power of the outstanding shares of common stock and Class B Common Stock present in person or represented by proxy and voting on the matter is required to approve the transactions contemplated by the Acquisition Agreement.

**Abstentions and Broker Non-Votes**

Shares represented by proxies which are marked or voted "abstain" on the proposal to approve the transactions contemplated by the Acquisition Agreement, and proxies which are marked or voted to deny discretionary authority on other matters will be counted for the purpose of determining the number of shares represented by proxy at the meeting. Such proxies will thus have the same effect as if the shares represented thereby were voted against the proposal to approve the transactions contemplated by the Acquisition Agreement, and against such other matters, respectively. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter.

**Revocability of Proxies**

You may revoke your proxy at any time before it is voted (in the case of proxy cards) by giving notice to our Secretary or by executing and mailing a later-dated proxy. To revoke a proxy given, or change your vote cast, by telephone or on the Internet, you must do so by telephone or on the Internet, respectively (following the directions on your proxy card), by 11:59 p.m. Eastern time on January 12, 2011.

**Proxy Solicitation**

We will bear the expense of soliciting proxies. Our officers and certain other employees, without additional remuneration, may also solicit proxies personally or by telephone, e-mail or other means.

**Please vote using your proxy or voting instruction card, or by telephone or over the Internet (if those options are available to you), so your vote can be counted.**

**Revocation of Proxies**

Proxies received at any time before the Special Meeting and not revoked or superseded before being voted will be voted at the Special Meeting. If you are a stockholder of record, you may revoke your proxy at any time before it is voted at the Special Meeting by:

sending a written notice of revocation to our Corporate Secretary;

submitting a new, properly proxy dated later than the date of the revoked proxy;

voting over the Internet at a later time; or

attending the Special Meeting and voting in person.

If you hold shares in street name, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also vote in person at the Special Meeting if you obtain a legal proxy as described in the answer to the previous question. Attendance at the Special Meeting will not, by itself, revoke a proxy.

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**Attending the Special Meeting**

You are entitled to attend the Special Meeting only if you were a stockholder of Richardson Electronics at the close of business on the Record Date, or hold a valid proxy for the Special Meeting. You should be prepared to present photo identification for admittance. In addition, if you are a stockholder of record, your ownership will be verified against the list of stockholders of record on the record date prior to being admitted. If you are not a stockholder of record but hold shares in street name, you should be prepared to provide proof of beneficial ownership on the Record Date (such as your most recent account statement prior to the Record Date), a copy of the voting instruction card provided to you by your bank, broker, or other nominee, or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the Special Meeting.

**Solicitation of Proxies**

This proxy solicitation is being made and paid for by us on behalf of the Board. The initial solicitation of proxies by mail may be supplemented by telephone, fax, e-mail, Internet and personal solicitation by our directors, officers or other regular employees. No additional compensation for soliciting proxies will be paid to our directors, officers or other regular employees for their proxy solicitation efforts. We expect to reimburse banks, brokers and other persons for their reasonable out-of-pocket expenses in handling proxy materials for beneficial owners of our common stock.

**Common Stock Ownership of Directors and Executive Officers**

As of December 13, 2010, our directors and executive officers had, or were deemed to have, beneficial ownership of shares of our common stock and Class B common stock representing, in the aggregate, approximately 67% of our voting power entitled to vote at the Special Meeting. Mr. Richardson, our Chairman, Chief Executive Officer and President, has agreed to vote his shares in favor of the Transaction. In addition, we have no reason to believe that our other directors and executive officers will not vote all of the shares for which they have, or are deemed to have, beneficial ownership "FOR" the proposal to approve the Transaction.

**Other Matters**

At this time, we know of no other matters to be submitted to our stockholders at the Special Meeting. If any other matters properly come before the Special Meeting in which your proxy has provided discretionary authority, your shares of common stock will be voted in accordance with the discretion of the persons named on the enclosed proxy card in accordance with their best judgment.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on January 13, 2011**

The proxy statement is available at <http://www.rell.com/content/english/aboutus/Pages/FinancialsFilings.aspx>.

**Questions and Additional Information**

If you have questions about this proxy statement, the special meeting or the Transaction or need assistance with voting procedures, you should contact:

Richardson Electronics, Ltd.  
40W267 Keslinger Road  
PO Box 393  
LaFox, IL 60147-0393  
(630) 208-2200

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**THE TRANSACTION (PROPOSAL NO. 1)**

We are asking our stockholders to approve the Transaction.

**The Parties to the Transaction**

Richardson Electronics, Ltd.  
40W267 Keslinger Road  
PO Box 393  
LaFox, Illinois 60147-0393  
Telephone: (630) 208-2200  
*www.rell.com*

We are a global provider of engineered solutions and a global distributor of electronic components to the radio frequency, wireless and power conversion, electron device, and display systems markets. Utilizing our core engineering and manufacturing capabilities, our strategy is to provide specialized technical expertise and value-add, or "engineered solutions." We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, and logistics for end products of our customers. We employ approximately 755 people in 28 countries.

Arrow Electronics, Inc.  
50 Marcus Drive  
Melville, New York 11747  
Telephone: (631) 847-2000  
*www.arrow.com*

Arrow Electronics is a global provider of products, services and solutions to industrial and commercial users of electronic components and enterprise computing solutions. Headquartered in Melville, N.Y., Arrow Electronics serves as a supply channel partner for over 900 suppliers and 125,000 original equipment manufacturers, contract manufacturers and commercial customers through a global network of more than 310 locations in 51 countries and territories.

**Background of the Transaction**

The Board continuously reviews our results of operations and competitive position, as well as the strategic alternatives available to us. RFPD has generally recognized lower gross margin as a percentage of total sales than our other businesses. In early 2007, the Board became concerned that RFPD's business was at risk of being commoditized and that it would no longer fit within our engineered solutions business strategy.

In the summer of 2007, we engaged an investment bank to provide financial advisory services to us in connection with a proposed sale or other strategic disposition of RFPD. Beginning in June 2007 and continuing through October 2007, the investment bank contacted approximately 30 to 35 potential buyers, consisting of both strategic and financial parties, to investigate whether they had any interest in acquiring RFPD. Six of these parties, including Arrow Electronics, entered into non-disclosure agreements with us and performed preliminary due diligence. After preliminary due diligence, five of these parties decided not to provide a written expression of interest, although one party, a large, strategic competitor, provided a verbal indication of interest at a purchase price of approximately \$100 million or net book value.

On October 28, 2007, Arrow Electronics submitted a non-binding preliminary indication of interest to purchase all of the assets of our RFPD business for an estimated total purchase price between \$183 million and \$200 million. We believed this purchase price was too low and directed the investment bank to continue to solicit interest from additional parties through the end of 2007. No additional parties expressed an interest in a proposed transaction involving RFPD, and on January 8, 2008, the



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Board reviewed and discussed Arrow Electronics' non-binding preliminary indication of interest. The Board agreed to permit Arrow Electronics to conduct more extensive due diligence, but urged management to seek a higher purchase price.

Thereafter, we informed Arrow Electronics that we considered its purchase price to be too low, but that we would permit it to conduct further due diligence if it believed that such due diligence would enable it to increase its estimated purchase price. Arrow Electronics agreed, and in early February we granted Arrow Electronics access to an electronic data room to allow it to conduct further due diligence.

On March 7, 2008, Arrow Electronics delivered another non-binding indication of interest in acquiring the assets of our RFPD business, this time proposing a purchase price of \$200 million, together with the proposed terms under which Arrow Electronics would be willing to enter into a transaction. From March 8 through March 13, the investment bank relayed to and discussed with Arrow Electronics our concerns with Arrow Electronics' indication of interest and proposed terms, including that we still believed the purchase price to be too low, that Arrow Electronics must assume leases for all facilities used primarily by RFPD, that Arrow Electronics must offer employment to all employees of RFPD and certain support staff, and that Arrow Electronics must be responsible for any severance payments due to such employees who decide not to accept Arrow Electronics' offer of employment.

On March 14, 2008, Arrow Electronics delivered a letter setting forth additional information regarding its non-binding indication of interest in response to our concerns, which indicated a purchase price of \$210 million, that Arrow Electronics would assume leases for all facilities used primarily by RFPD, that Arrow Electronics would offer employment to all direct employees of RFPD and certain mutually agreed support staff, and that Arrow Electronics would be responsible for any severance payments due to employees of RFPD to whom Arrow Electronics decided not to make offers of employment. On March 15, 2008, Arrow Electronics provided a revised letter making certain further clarifications, and we entered into an exclusivity agreement with Arrow Electronics restricting us from discussing a proposed transaction involving RFPD with any party other than Arrow Electronics until May 14, 2008.

On March 17, 2008, Mr. Richardson provided a telephonic update to each of the directors regarding the status of negotiations with Arrow Electronics.

From March 17 through the May 2008 Arrow Electronics continued its due diligence of RFPD. On April 22, 2008, Arrow Electronics provided a draft of an acquisition agreement, and the parties continued to negotiate the terms thereof and exchanged multiple drafts through the first week of June 2008. Management of both parties met in person on April 23-25 and May 19, 2008 in connection with these efforts. Throughout this time, Mr. Richardson emphasized that we would not continue with the proposed transaction if Arrow Electronics lowered its purchase price from \$210 million or insisted on terms in the draft acquisition agreement which we believed would result in a lower purchase price.

At a regularly scheduled meeting of our Board on April 8, 2008, management provided an update to the Board regarding the status of negotiations with Arrow Electronics.

As the parties continued their discussions, it became clear that in order to support an acquisition by Arrow Electronics of RFPD, we would be required to provide transitional information technology ("IT") services to Arrow Electronics for an extended period of time after closing. Arrow Electronics believed it would be unable to migrate RFPD to its existing IT systems, and RFPD was substantially dependent on our IT systems. The extent and cost of the transitional IT services that we would have to provide to Arrow Electronics was the subject of numerous conversations both between the parties and internally at the Company among members of management between March and June, 2008.

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On June 5, 2008, Arrow Electronics informed the investment bank that it would be unable to continue with the transaction proposed in its non-binding indication of interest primarily because it believed that the prospects for RFPD and the selling, general and administrative costs of operating RFPD, combined with the complexity of the transaction, did not support a purchase price of \$210 million. We were unwilling to discuss a lower purchase price, and all discussions with Arrow Electronics with respect to a purchase of our RFPD business ceased.

In December 2009, Cathy Morris, the Chief Strategy Officer of Arrow Electronics, who was involved in terminating our previous discussions with Arrow Electronics, contacted Mr. Richardson and proposed that the parties discuss renewing negotiations regarding a purchase of our RFPD business. We entered into a non-disclosure agreement with Arrow Electronics dated December 16, 2009, and on December 18, 2009, Ms. Morris and Mr. Richardson met in LaFox, Illinois, and discussed the issues that had led to failure of our last negotiations. Ms. Morris indicated that Arrow Electronics would be interested in reassessing a proposed transaction, and subsequent to the meeting we provided Arrow Electronics with financial information relating to RFPD's business since May 2008. On December 22, Mr. Richardson provided Ms. Morris with the preliminary results for the second quarter of our fiscal 2010, and on January 6, Mr. Richardson provided Ms. Morris with the forecasted results for RFPD for our fiscal years 2010, 2011 and 2012. Mr. Richardson and Ms. Morris discussed a possible transaction via telephone several times in January and met in person again in LaFox on January 18, 2010, along with Wendy Diddell, our Executive Vice President of Corporate Development, Greg Peloquin, our Executive Vice President and General Manager of RFPD, and Jeffrey Greene, Corporate Development for Arrow Electronics, to discuss RFPD's organization structure as well as the corporate overhead structure required to support RFPD. During these calls and meetings, Mr. Richardson reiterated that we still considered \$210 million to be the purchase price for RFPD because, although RFPD's net sales for the first six months of fiscal 2010 decreased by 14.7% compared to the first six months of fiscal 2009, we believed its prospects were improving. Between January 20 and February 4, we provided additional data regarding corporate overhead allocations to RFPD as well as information regarding RFPD's top suppliers and held several follow up calls to discuss the data.

On February 4, 2010, Ms. Morris informed Mr. Richardson that Arrow Electronics was not interested in pursuing a transaction with us at that time for many of the reasons that the discussion had ended in June 2008 as well as the uncertainty of the macroeconomic conditions of the world economy and capital and equity markets.

Around May 12, 2010, Mr. Richardson telephoned Ms. Morris and provided her with preliminary financial information regarding RFPD's performance in the fourth quarter of our fiscal 2010, which indicated that RFPD's net sales were up 26% over the prior fourth quarter, to see if Arrow Electronics would be interested in resuming discussion regarding an acquisition of RFPD. Ms. Morris indicated that based on the information provided by Mr. Richardson with respect to our fourth quarter performance, Arrow Electronics may be interested in resuming such discussions. As a result of this conversation, we shared additional detail on corporate overhead allocations as well as a list of our specific support functions that we believed would be required to transfer with the RFPD business. Mr. Richardson and Ms. Morris spoke via telephone several times between May 13 and June 29, during which calls he reviewed in detail the corporate allocations as well as shared and discussed with Ms. Morris certain additional financial information regarding RFPD.

On June 29, 2010, Mr. Richardson, Ms. Diddell and Ms. Morris met at the O'Hare Airport in Chicago to discuss issues that had not been resolved by the parties in connection with their discussions in 2008, including that we required Arrow Electronics to be responsible for certain severance costs incurred by us in connection with the transaction. They also discussed Arrow Electronics' acquisition of our IT systems in conjunction with an acquisition of RFPD. During this meeting, the parties reached preliminary agreement on several issues, including that Arrow Electronics would be responsible for certain of our severance costs incurred in connection with the transaction, that approximately 96 of our

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support personnel would transfer to Arrow Electronics and that Arrow Electronics would acquire our IT systems, subject in each case to Arrow Electronics' further due diligence and review by Arrow Electronics' business and support teams.

Between June 30 and July 6, 2010, we provided Arrow Electronics with an analysis of the support functions that we thought Arrow Electronics would need to operate RFPD as a stand-alone global division of Arrow Electronics, including an estimate of the costs of such support functions. On July 6, Ms. Morris stated in an email that she would seek authorization to proceed with the transaction from Arrow Electronics' executive committee during the week of July 12, and we further agreed to use the prior draft acquisition agreement, revised pursuant to the agreements reached during our June 29 meeting, as the basis for a definitive agreement. During the week of July 12, 2010, Ms. Morris informed Mr. Richardson that she had received authorization from Arrow Electronics' executive committee to move forward with discussions regarding a purchase of our RFPD business, including our IT systems, at a purchase price of \$210 million. Mr. Richardson and Ms. Morris then agreed to meet in Chicago on July 22 with a view toward resolving the significant business issues that were not resolved in 2008.

On July 15, 2010, we received a due diligence request list from Arrow Electronics, and Ms. Diddell and Mr. Green discussed the due diligence process. On July 16, 2010, the parties entered into a new non-disclosure agreement in anticipation of the upcoming meeting on July 22 and the due diligence process. Between July 16 and August 12, Ms. Diddell and Mr. Green discussed the due diligence process and the type of information that Arrow Electronics required for its review on numerous occasions.

On July 20, 2010, during an executive session of our regularly scheduled Board meeting, Mr. Richardson informed the directors that discussions with Arrow Electronics regarding a purchase of our RFPD business had resumed and that management teams intended to meet in Chicago on July 22 to discuss the significant business issues that had not been resolved during the prior negotiations that ended in June 2008.

On July 21, 2010, we delivered to Arrow Electronics a list of significant business issues for discussion at our meeting on July 22, and on July 22, the parties, including Mr. Richardson, Ms. Diddell, Ms. Morris and inside and outside legal counsel for both parties met in Chicago to discuss the business issues. At the conclusion of the meeting, both parties had reached substantial agreement on all of the significant business issues discussed, except for Arrow Electronics' proposal that we be prevented from entertaining any other offers for RFPD after execution of a definitive acquisition agreement, since we believed that an ability to entertain an alternative offer was necessary pursuant to our Board's fiduciary duties to stockholders and, in any event, would be required by our Board in any transaction with Arrow Electronics. We agreed that the parties' legal counsel would continue to discuss the issue of other offers, and that Arrow Electronics would prepare a revised draft of the acquisition agreement last discussed between the parties in June 2008 to reflect the agreements reached at the meeting. We stated that we would withhold Arrow Electronics' access to further due diligence material until we were satisfied that the revised acquisition agreement reflected the agreements that had been reached.

In the last week of July and the first week of August 2010, counsel for the parties discussed legal issues related to other offers via several telephone conference calls. On August 5, Arrow Electronics provided for our review a revised version of the other offer provisions from the draft acquisition agreement last discussed by the parties in June 2008, which provided that we could entertain other offers after execution of the Acquisition Agreement, subject to certain limitations, and that, if we decided to accept another offer, we would be required to terminate the Acquisition Agreement and pay a termination fee to Arrow Electronics, together with their transaction expenses. Legal counsel for both parties discussed this draft on August 6, and on August 8, we provided a further revised draft of the

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other offer provisions of the Acquisition Agreement to Arrow Electronics, which proposed certain minor clarifications to the process for our reviewing and accepting other offers and to limit the termination fee to \$8.4 million without a requirement that we would have to pay any transaction expenses.

On August 10, 2010, counsel for Arrow Electronics provided a revised draft of the entire acquisition agreement that had last been discussed between the parties in June 2008, which included additional proposed changes to the other offers provisions, including that the termination fee be \$8.4 million plus Arrow Electronics' legal expenses, but subject to a cap of \$1.6 million. We believed this to be acceptable, but on August 11 and August 12, Mr. Richardson and Ms. Morris discussed via telephone several other issues that we had with the revisions reflected in the draft of the Acquisition Agreement, including clarification regarding Arrow Electronics' agreement to be liable for certain severance costs incurred by us in connection with the transaction. On August 12, Arrow Electronics provided further revised language regarding these points.

Also on August 12, we hosted a conference call with Arrow Electronics' functional leads and reviewed a document we had provided to them on August 11 which outlined the resources that we proposed to be transferred to Arrow Electronics in connection with the transaction, the transition services that we believed would be required by both parties and other issues regarding transition of the RFPD business to Arrow Electronics. We then opened an electronic data room to permit Arrow Electronics to conduct its confirmatory due diligence.

On August 13, 2010, Ms. Diddell and Mr. Green discussed the preparation of a draft transition services agreement and the types of services that each party would need from the other in connection with an acquisition of RFPD.

Between August 13 and September 30, 2010, Arrow Electronics completed its due diligence review of RFPD, and members of management of both parties discussed due diligence issues in numerous telephone calls.

On August 17, representatives of ours, including Mr. Richardson and Ms. Diddell, and representatives of Arrow Electronics, including Mr. Green, met in Geneva, Illinois, and at our corporate headquarters in LaFox, Illinois, to discuss the types and terms of transition services that each party would require in connection with a transaction. The parties agreed that Arrow Electronics would provide IT services to us using the IT system assets that it would acquire from us for a period of at least three years. The parties also agreed that we would provide certain financial services to Arrow Electronics with respect to RFPD, and that each party would provide certain warehouse and facility related services to the other in warehouses and facilities that both parties would be sharing after the transaction. Finally, we agreed to sublet to Arrow Electronics a portion of our corporate headquarters in LaFox, Illinois to permit Arrow Electronics to keep RFPD headquartered there, and we agreed to enter into a manufacturing services agreement to permit Arrow Electronics to continue to buy from us certain products that we manufacture for sale by RFPD.

Between August 18 and September 26, Mr. Richardson and Ms. Morris spoke via telephone on several occasions to discuss open issues and the status of due diligence and document drafting. Some of these calls also included Ms. Diddell and Mr. Green.

On August 24, we provided a revised draft of the Acquisition Agreement to Arrow Electronics, and on August 25, legal counsel for the parties discussed our proposed revisions to the Acquisition Agreement.

On August 25, we provided to Arrow Electronics a draft term sheet for a lease for a portion of our LaFox facility, as well as draft terms for the transition services discussed by the parties, and on August 26, we provided to Arrow Electronics a draft of a manufacturing services agreement. From

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August 26 to September 30, the parties discussed these agreements in numerous telephone calls and exchanged numerous drafts and proposed revisions.

On August 30, Arrow Electronics provided to Mr. Richardson a draft of the voting agreement which it desired that he enter into in connection with the transaction. We provided a revised draft on September 15 based on comments received from Mr. Richardson and his legal counsel, and counsel for us and Arrow Electronics discussed the draft voting agreement in several telephone calls between September 15 and September 30.

On September 8, Arrow Electronics delivered a revised draft of the Acquisition Agreement. Also on September 8, representatives of our and Arrow Electronics' IT departments, as well as Mr. Richardson, Ms. Diddell, and a member of Arrow Electronics' legal department met in Geneva, Illinois, to discuss transitional IT services.

On September 15, we delivered a revised draft of the Acquisition Agreement, along with initial drafts of the LaFox lease and a trademark license which would permit Arrow Electronics to continue using the Richardson name with the RFPD business.

On September 16, our Board held a special meeting by teleconference, which was also attended by Ms. Diddell and Kyle Badger, our Executive Vice President and General Counsel. Mr. Richardson reviewed for the Board the material terms of the proposed transaction with Arrow Electronics, including its structure as an asset purchase, the proposed \$210 million purchase price, that approximately 400 employees of ours would become Arrow Electronics employees and that Arrow Electronics would also acquire our IT systems. He explained that Arrow Electronics had also agreed to lease approximately 25,000 square feet of our LaFox facility for \$508,000 annually for five years.

The Board also discussed the proposed terms of an engagement of Morgan Joseph to prepare and deliver an opinion to the Board regarding the fairness, from a financial point of view, of the consideration to be received by us in the Transaction, as outlined in a draft engagement letter previously provided to the directors for their review. The Board unanimously approved the engagement of Morgan Joseph.

On September 20, we provided to Arrow Electronics draft disclosure schedules to the Acquisition Agreement, and on September 21, legal counsel for both parties discussed open issues via telephone.

On September 23, Ms. Morris told Mr. Richardson that the Board of Arrow Electronics had approved the proposed transaction at its meeting on September 23.

On September 24, Arrow Electronics delivered a revised draft of the Acquisition Agreement.

On September 27, 2010, our Board held a special meeting which was also attended by a representative of Morgan Joseph, Ms. Diddell, Mr. Badger and Kathleen Dvorak, our Chief Financial Officer. A representative of Bryan Cave LLP, outside counsel to us, also attended portions of the meeting. Mr. Richardson updated the Board on the status of the ongoing negotiations with Arrow Electronics and discussed with the Board the prospects of RFPD in light of continuing product margin pressure and increased competition. Mr. Richardson and Mr. Badger then provided a detailed overview of the proposed acquisition agreement and related documents, copies of which were provided to the Board. The representative of Bryan Cave provided an overview of the other offer provisions of the Acquisition Agreement and then made a presentation regarding the fiduciary duties of the directors in connection with their review and approval of the Acquisition Agreement and the transactions contemplated thereby.

The Morgan Joseph representative then made a presentation regarding the proposed Transaction and the process Morgan Joseph had participated in with respect to the transaction. The valuation analysis performed by Morgan Joseph was discussed with the Board and the various valuation metrics used by Morgan Joseph were reviewed with the Board. For a more complete discussion of the

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methodologies used to calculate the implied valuation of RFPD, please see the "The Transaction Opinion of Morgan Joseph" on page 26 of this proxy statement.

Morgan Joseph orally presented to the Board its opinion, subsequently confirmed in writing, that, as of September 27, 2010, and based upon and subject to the factors, assumptions, qualifications and limitations set forth in the written opinion, the consideration to be received by us in the proposed Transaction was fair from a financial point of view.

Ms. Dvorak then presented and discussed pro forma financial statements reflecting our results for the three months ended August 28, 2010, after giving effect to the Transaction as if it had occurred at the beginning of such period. The Board then discussed possible uses of the projected proceeds from the Transaction, including investments in our remaining businesses, strategic acquisitions of small technology-oriented companies, repurchases of outstanding shares of common stock, an increase to our regular quarterly dividends and a special one-time dividend.

Mr. Richardson and Ms. Dvorak then discussed opportunities and challenges for our businesses remaining after the proposed Transaction, noting that management believed we should strive to attain market leadership through technological superiority and by extending our product range, with a focus on high-growth markets that are aligned with our past experience.

After further discussion, upon a motion, the Board unanimously (i) determined that the Acquisition Agreement and the transactions contemplated thereby, including the Transaction, are advisable, fair to and in the best interests of us and our stockholders, (ii) approved the Acquisition Agreement and the transactions contemplated thereby, including the Transaction and (iii) recommended the adoption by our stockholders of the Acquisition Agreement.

On September 27, Mr. Richardson and Ms. Diddell held a call with Ms. Morris and Peter Brown, Arrow Electronics' General Counsel, to discuss the status of open issues with respect to the proposed transaction, including the allocation of the purchase price among the assets to be acquired, the breadth of a representation regarding RFPD inventory, the terms of offers of employment to our RFPD employees, and the level of detail that Arrow Electronics requested be included in the disclosure schedules. The parties reached conceptual agreement on all of the open issues, other than the allocation of the purchase price, which both sides believed was still being discussed by the parties' finance and tax personnel and their advisors.

On September 28, Arrow Electronics hosted a conference call with us to discuss the communications plan to announce the Transaction publicly and to our employees, vendors and customers.

On the evening of September 29, Mr. Richardson, Ms. Diddell, Mr. Badger, Ms. Morris and Mr. Brown held a conference call to discuss the remaining open issues. During that call and a subsequent follow up call between Mr. Richardson and Ms. Morris, the parties resolved all remaining issues.

Throughout September 30, and into the morning of October 1, Mr. Richardson, Ms. Diddell, Mr. Badger and representatives of both parties' outside counsel finalized the Acquisition Agreement and other related documents, and the Acquisition Agreement was executed by the parties. The voting agreement was also finalized and executed.

On October 1, 2010, prior to the commencement of trading on NASDAQ, we and Arrow Electronics issued separate press releases announcing the execution of the definitive Acquisition Agreement.

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**Reasons for the Transaction**

Our Board, acting with the advice and assistance of its legal advisors and Morgan Joseph, evaluated the Acquisition Agreement, including the consideration to be received from Arrow Electronics as part of the Transaction. After careful consideration, the Board determined that the Transaction is advisable and in our best interests. At a meeting of the Board held on September 27, 2010, the Board discussed and resolved to adopt and approve the Acquisition Agreement and the transactions contemplated thereby, and to recommend to our stockholders that they vote for the approval of the Transaction. For additional information regarding the Board's discussion and approval of the Transaction, see "Background of the Transaction" on page 17 of this proxy statement.

In the course of reaching its determinations, the Board consulted with our management and our financial and legal advisors and considered a number of substantive factors, both positive and negative, and potential benefits and detriments of the Transaction. The Board believed that, taken as a whole, the following factors supported its decision to approve the Transaction:

*Strategic Review Process.* The Board considered the process (which began in 2008) through which we had explored strategic alternatives for RFPD, which process included, among other things, (i) entering into confidentiality agreements and engaging in preliminary discussions with Arrow Electronics and five other parties, and (ii) engaging Morgan Joseph to conduct a valuation of us for the purpose of furnishing to us an opinion as to the fairness, from a financial point of view, of the consideration to be received by us in the proposed Transaction.

*Consideration.* The Board considered the value and the consideration to be received by us pursuant to the Acquisition Agreement, including the fact that the full amount of the consideration is to be paid at closing in cash, and that the consideration represents a good return on our investment in RFPD. The Board also considered the prospect of the consideration increasing or decreasing based on the post-closing working capital adjustment pursuant to the Acquisition Agreement.

*Likelihood of Consummation of the Transaction.* The Board considered the likelihood that the Transaction will be completed, including the limited number and nature of the conditions to Arrow Electronics' obligation to consummate the transaction and the likelihood that those conditions would be satisfied.

*Ability to Respond to Certain Alternative Proposals.* The Board considered the fact that the Acquisition Agreement affords the Board with the ability to consider, evaluate and accept unsolicited superior proposals to the Transaction in the period after signing and prior to the approval of the Transaction by our stockholders. In addition, the Voting Agreement automatically terminates if the Acquisition Agreement is terminated by its terms.

*Increasing Competition from China.* In recent years, a number of significant competitors to RFPD have emerged in China. The Board considered the increased competition from these new competitors and the impact that they were likely to have on RFPD in the future.

*Downward Pressure on Margins.* The Board considered the anticipated downward pressure on margins in the RFPD business going forward due to increased competition and a variety of other factors.

*Arrow Electronics' Transaction History.* Based in part on Arrow Electronics' history of completing corporate transactions, the Board concluded that a transaction with Arrow Electronics could be completed relatively quickly and in an orderly manner, and with limited negative impact on our reputation, customers, strategic partners and employees.

*Minimal Impact on Remaining Business.* The Board considered that the Transaction would impose minimal impact on EDG and Canvys as a result of Arrow Electronics' leasing space in





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our headquarters in LaFox for five years, the transfer of our IT system, the transition services to be provided by the parties, and vendor and customer acceptance of Arrow Electronics' acquisition of RFPD.

*Opinion of Morgan Joseph.* The Board considered the valuation analyses presented by Morgan Joseph and Morgan Joseph's opinion that, as of September 27, 2010 and subject to and based upon the various considerations and assumptions described in Morgan Joseph's written opinion, the consideration to be received by us pursuant to the Acquisition Agreement was fair, from a financial point of view, to us. See "Opinion of Morgan Joseph" on page 26 of this proxy statement.

The Board also considered a variety of risks and other potentially negative factors relating to the Transaction, including the following:

*Future Growth and Risk Profile.* The Board considered the fact that if the Transaction is consummated, we will no longer participate in the potential future growth of RFPD. The Board recognized that the divestiture of RFPD eliminates substantial cash flows that we traditionally received through RFPD and, as a result, we will become entirely dependent upon our remaining business units and the risk/reward profile of the Company following the Transaction will be changed accordingly.

*Risk of Non-Completion.* The Board considered the risk that the Transaction might not be completed and in that event, our directors, executive officers and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the transaction, we will have incurred significant transaction costs, and the failure to complete the Transaction could cause significant harm with respect to our relationships with our customers, suppliers and employees.

*Possible Payment of Termination Fee.* The Board considered the termination fee of \$8,400,000, plus up to \$1,600,000 of Arrow Electronics' expenses incurred in connection with the Transaction, that would be payable by us to Arrow Electronics if the Acquisition Agreement is terminated under certain circumstances. The Board believed that the termination fee was reasonable and would not unduly preclude a third party from making a superior proposal.

*Possible Disruption of the Business.* The Board considered the possible disruption to RFPD's business that might result from the announcement of the Transaction and the resulting distraction of the attention of our management and employees. The Board also considered the fact that the Acquisition Agreement contains certain limitations regarding the operation of RFPD during the period between the signing of the Acquisition Agreement and the completion of the Transaction. The Board believed that such limitations were customary for transactions similar to the Transaction and appropriately tailored to the specific requirements of the operation of RFPD.

*Indemnification Obligations.* The Board was aware that the Acquisition Agreement placed certain indemnification obligations on us. The Board considered the customary nature of such indemnification obligations in a sale of a major business unit and the risk of liability to us following the closing.

The foregoing discussion summarizes the material factors considered by the Board in its consideration of the Transaction. In view of the variety of factors and the quality and amount of information considered, as well as the complexity of these matters, the Board did not find it practicable to, and did not attempt to, make specific assessments of, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching this determination. The Board conducted an overall analysis of the factors described above, as well as others, including thorough discussion with, and questioning of, our senior management, our legal advisors and Morgan Joseph, and considered the benefits of the Transaction to outweigh the risks and the factors overall to be favorable to, and to support, its determination. Individual members of the Board may have given different weight to different factors.

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**Recommendation of Our Board**

**After careful consideration, the Board unanimously recommends that you vote "FOR" the approval of the Transaction.**

**Opinion of Morgan Joseph**

On September 17, 2010, we, with the Board's authorization, engaged Morgan Joseph to evaluate the fairness, from a financial point of view, of the consideration to be received in the proposed Transaction by us.

At the September 27, 2010 meeting of the Board, Morgan Joseph provided its opinion that, as of such date and based upon and subject to various qualifications and assumptions described with respect to its opinion, the consideration to be received by us in the proposed Transaction was fair, from a financial point of view. Morgan Joseph's opinion, which is addressed to the Board, is directed only to the fairness, from a financial point of view, of the consideration to be received in the proposed Transaction. The opinion was prepared solely for the information of the Board for its use in connection with its consideration of the proposed Transaction and was not intended to be, and does not constitute, a recommendation to any stockholder of ours as to how that stockholder should vote or act with respect to the proposed Transaction.

A copy of Morgan Joseph's written opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations of the scope of review undertaken by Morgan Joseph in rendering its opinion, is attached to this Proxy Statement as Annex B and is incorporated into this Proxy Statement by reference. The summary of the opinion of Morgan Joseph set forth in this document is supplemented by reference to the full text of such opinion and describes all material provisions of the opinion. Stockholders are urged to, and should, carefully read Morgan Joseph's opinion in its entirety. Morgan Joseph was not requested to opine as to, and its opinion does not address, the relative merits of the Acquisition Agreement or the proposed Transaction or any alternatives to such Transaction, our underlying decision to proceed with or effect the proposed Transaction, or any other aspect of the proposed Transaction.

In conducting its analysis and arriving at its opinion, Morgan Joseph reviewed and analyzed, among other things, the following:

The September 14, 2010 draft of the Acquisition Agreement, which has been represented as being substantially in the form of the definitive Acquisition Agreement;

Our Annual Report on Form 10-K for the fiscal year ended May 29, 2010, and our Form 8-K filed on June 2, 2010;

The reported prices and trading activity for our common stock;

Certain internal information and other data relating to us, our business and prospects, including forecasts and projections, provided to Morgan Joseph by our management;

Certain publicly available information concerning certain other companies engaged in businesses which Morgan Joseph believed to be generally comparable to us and the trading markets for certain of such other companies' securities; and

The financial terms of certain recent business combinations which Morgan Joseph believed to be relevant.

Morgan Joseph also held discussions with certain of our officers and employees of concerning the business, operations, assets, present financial condition and prospects of RFPD, as well as the proposed Transaction, and undertook such other studies, analyses and investigations as Morgan Joseph deemed appropriate.

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In arriving at its opinion, with our express permission and without any independent verification, Morgan Joseph assumed and relied upon the accuracy and completeness of the financial and other information and data publicly available, provided to, or otherwise reviewed by or discussed with Morgan Joseph, and upon the assurances of our management and RFPD's management that no information relevant to Morgan Joseph's opinion was omitted or remained undisclosed to Morgan Joseph. Morgan Joseph did not attempt to independently verify any such information or data and did not assume any responsibility to do so. With respect to budgets, forecasts and projections of RFPD provided to and reviewed by Morgan Joseph, Morgan Joseph assumed that such budgets, forecasts and projections were reasonably prepared in good faith by the management of RFPD and us based on their best current estimates and judgment as to the future financial condition, cash flows and results of operations of RFPD. Such forecasts and projections involved numerous and significant subjective determinations which may or may not prove to be correct.

Morgan Joseph made no independent investigation of and expressed no view on any legal, accounting or tax matters affecting us, and Morgan Joseph assumed the correctness of all legal, accounting and tax advice provided to the Board by our management and professional advisors. Morgan Joseph did not conduct a physical inspection of any of the properties, assets or facilities of RFPD, nor did it make or obtain any independent valuation or appraisal thereof. Although Morgan Joseph took into account its assessment of general economic, market and financial conditions and its experience in transactions that, in whole or in part, it deemed to be relevant for purposes of its analyses as well as its experience in the valuation of securities in general, its opinion necessarily was based upon and limited to economic, financial, political, regulatory and other domestic and international events and conditions as they existed and were susceptible to evaluation as of the date thereof. Morgan Joseph assumed no responsibility to update, revise or reaffirm its opinion based upon any events or circumstances occurring or continuing after the date of the its opinion.

In rendering its opinion, Morgan Joseph assumed that the proposed Transaction would be consummated in all respects in accordance with the financial, economic and other material terms specified in the draft Acquisition Agreement. Morgan Joseph expressed no opinion as to the underlying business decision regarding the proposed Transaction, and Morgan Joseph's opinion does not constitute a recommendation to us, the Board, our stockholders or any other person or entity as to any specific action that should be taken (or omitted to be taken) in connection with a transaction with RFPD.

*Summary of Financial Analyses Conducted by Morgan Joseph*

The following is a summary of the material financial analyses underlying Morgan Joseph's opinion, dated September 27, 2010 and delivered to the Board at its meeting of that date in connection with its consideration of the proposed Transaction. The order of the analyses described below does not represent the relative importance or weight given to those analyses by Morgan Joseph or by the Board. Considering such data without considering the full narrative description of the financial analyses could create a misleading or incomplete view of Morgan Joseph's financial analyses.

In arriving at its opinion, Morgan Joseph was not authorized to solicit, and did not solicit, interest from any party with respect to a merger, business combination or other extraordinary transaction involving RFPD, nor did it negotiate with any parties with respect to such potential transaction.

The description below explains Morgan Joseph's methodology for evaluating the fairness, from a financial point of view, of the consideration to be received in the proposed Transaction. No company or transaction used in the analyses described below was deemed to be directly comparable to RFPD or the proposed Transaction and the summary set forth below does not purport to be a complete description of all the analyses or data presented by Morgan Joseph.

Although each analysis was provided to the Board, in connection with arriving at its opinion, Morgan Joseph considered all of its analyses as a whole and did not attribute any particular weight to

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any analysis or factor described below, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. This summary of financial analyses includes information presented in tabular format. In order to fully understand the financial analyses used by Morgan Joseph, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. The analyses listed in the tables and described below must be considered as a whole; considering any portion of such analyses and of the factor considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Morgan Joseph's fairness opinion.

***Selected Publicly Traded Company Analysis.*** Morgan Joseph compared certain operating and valuation information for us and RFPD to certain publicly available operating and valuation information for nine selected companies operating in the electronic component distribution industry, as follows:

Avnet Inc.;

Arrow Electronics, Inc.;

WPG Holdings Limited;

Ingram Micro Inc.;

Premier Farnell plc;

Electrocomponents plc;

Tech Data Corp.;

WT Microelectronics Co., Ltd.; and

Acal plc.

In its analysis, Morgan Joseph derived a range of trading multiples for the selected companies, including, but not limited to, enterprise value as a multiple of trailing twelve month EBITDA for the most recently reported twelve-month period and equity market capitalization as a multiple of most recently reported net tangible book value, calculated as follows:

Enterprise Value, which Morgan Joseph defined as market value of common equity on a diluted basis (including outstanding warrants, options and restricted stock units) plus the par value of total debt including out-of-the-money convertible debt, capitalized leases and preferred stock (on an as converted basis, if applicable) minus cash, cash equivalents and marketable securities, divided by EBITDA, which excludes one-time charges and includes stock-based compensation.

Equity Market Capitalization, which Morgan Joseph defined as market value of common equity on a diluted basis (including outstanding warrants, options and restricted stock units) divided by Net Tangible Book Value, which Morgan Joseph defined as stockholders' equity minus any goodwill or other intangible assets.

Although none of the selected companies is directly comparable to RFPD in all respects, they were chosen because they have operations, lines of business and/or product segments that for purposes of analysis may be considered similar to certain of RFPD's operations, lines of business and/or product segments.

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The financial information reviewed by Morgan Joseph included trading multiples exhibited by the selected companies with respect to their LTM financial performance. All trading multiples for the selected companies were based upon closing stock prices as of September 24, 2010. The table below provides a summary of these trading multiples.

#### *Trading Multiples Observed from the Selected Companies:*

	Low	High
<b>Enterprise Value/LTM EBITDA</b>	3.9x	14.0x
<b>Equity Market Capitalization/Net Tangible Book Value</b>	0.9x	12.4x

**Selected Historic Transactions Analysis.** Morgan Joseph analyzed certain publicly available information relating to the following selected acquisitions:

Announced	Target	Acquirer
09/20/10	Nu Horizons Electronics Corp.	Arrow Electronics, Inc.
05/25/10	Unidux Inc.	Avnet Japan Co., Ltd.
03/28/10	Bell Microproducts Inc.	Avnet, Inc.
03/20/10	Yosun Industrial Corp.	WPG Holdings Limited
11/17/09	A.E. Petsche Company, Inc.	Arrow Electronics, Inc.
10/10/08	Abacus Group plc	Electron House (Overseas) Limited
09/09/08	Daiwabo Information System Co., Ltd.	Daiwabo Holdings Co. Ltd.
09/01/08	Asian Information Technology, Inc.	WPG Holdings Limited
03/18/08	Horizon Technology Group plc	Avnet, Inc.
03/03/08	Scribona AB, IT Distribution Operations	Tech Data Corp.
02/29/08	Achieva Ltd., Electronic Comp Business	Arrow Electronics, Inc.
11/09/07	Banque Magnetique SAS	Gem Distribution Ltd. (DCC plc)
09/27/07	Acal IT Limited	Avnet, Inc.
01/02/07	Agilysys KeyLink Systems Group	Arrow Electronics, Inc.
11/06/06	GE Access Distribution	Avnet, Inc.
10/05/06	Alternative Technology, Inc.	Arrow Electronics, Inc.
10/27/05	DNSint.com	Arrow Electronics, Inc.
04/26/05	Memec, Inc.	Avnet, Inc.
09/27/04	Tech Pacific Limited AG	Ingram Micro Inc.
08/07/00	Wyle Components and Wyle Systems	Arrow Electronics, Inc.

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For each of the selected transactions, Morgan Joseph calculated the multiple of last twelve months' sales and, where information was available, calculated the multiple of last twelve months' EBITDA. The following table summarizes the results.

Table of Contents*Multiples Observed from the Selected Transactions:*

	Low	High
<b>Enterprise Value/LTM EBITDA</b>	6.9x	14.6x
<b>Enterprise Value/LTM Sales</b>	0.13x	0.90x

**Discounted Cash Flow Analysis.** Using our projected financial information for fiscal years 2011 through 2015, Morgan Joseph calculated the net present values of RFPD's unlevered free cash flows using discount rates ranging from 9.5% to 11.5%. Morgan Joseph's estimate of the appropriate range of discount rates was based on the estimated cost of equity and pre-tax cost of debt based on RFPD's assumed target debt-to-capital structure, as well as assumptions regarding interest rates, historical market risk premiums, size premiums and marginal tax rates. Morgan Joseph also estimated a range of terminal values for RFPD based on EBITDA in 2015 applying multiples that ranged from 7.0x to 9.0x and discounted these terminal values using the assumed range of discount rates. The present values of the implied terminal values of RFPD were then added to the present value of the after-tax unlevered free cash flows to arrive at a range of enterprise values. The discounted cash flow analysis indicated a range of implied enterprise values from \$143.3 million to \$188.4 million.

**Leveraged Buyout Analysis.** Using our projected financial information for fiscal years 2011 through 2015, Morgan Joseph performed a leveraged buyout analysis to determine the potential implied enterprise value that might be achieved in an acquisition in a leveraged buyout transaction assuming an exit from the business in 2015. Estimated exit values were calculated by applying a range of exit value multiples from 7.0x to 9.0x LTM EBITDA, which are the same terminal value multiples used in the discounted cash flow analysis. Morgan Joseph then derived a range of theoretical purchase prices based on assumed required internal rates of return for a buyer of greater than 25%, which was, in Morgan Joseph's professional judgment, generally reflective of the minimum required internal rate of return commonly assumed when performing a leveraged buyout analysis of this type. This analysis indicated an implied current enterprise value of approximately \$110.8 million to \$148.5 million.

*Additional Considerations*

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. Morgan Joseph believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering the analyses taken as a whole, would create an incomplete view of the process underlying the analyses set forth in its opinion. In addition, Morgan Joseph considered the results of all such analyses and did not assign relative weights to any of the analyses, but rather made qualitative judgments as to significance and relevance of each analysis, so the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Joseph's view of the actual value of RFPD.

In performing its analyses, Morgan Joseph made numerous assumptions with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond our control. The analyses performed by Morgan Joseph are not necessarily indicative of actual values, trading values or actual future results which might be achieved, all of which may be significantly more or less favorable than suggested by such analyses. Such analyses were provided to the Board and were prepared solely as part of Morgan Joseph's analysis of the fairness, from a financial point of view, of the consideration to be received in connection with the proposed Transaction. The analyses do not purport to be appraisals or to reflect the prices at which companies may actually be sold, and such estimates are inherently subject to uncertainty. The opinion of Morgan Joseph was one of many factors taken into consideration by the Board in making its determination to approve the proposed Transaction. Consequently, the analyses described above should not be viewed as determinative of the opinion of us, our management or the Board with respect to the value of RFPD.



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We placed no limits on the scope of the analysis performed, or opinion expressed, by Morgan Joseph. Morgan Joseph did not perform a liquidation analysis.

Although some analyses performed may imply an enterprise value higher than the price being offered in the proposed Transaction, in reaching its conclusion, Morgan Joseph considered the results of all of the other analyses Morgan Joseph performed. Morgan Joseph believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses, would create an incomplete and potentially inaccurate view of the process underlying its opinion.

Morgan Joseph's opinion was necessarily based upon market, economic, financial and other circumstances and conditions existing and disclosed to it on September 27, 2010, and any material change in such circumstances and conditions may affect Morgan Joseph's opinion, but Morgan Joseph does not have any obligation to update, revise or reaffirm that opinion.

For services rendered in connection with the delivery of its opinion, we paid Morgan Joseph a fee of \$600,000 upon delivery of its opinion. We also agreed to reimburse Morgan Joseph for its expenses incurred in connection with its services, including legal fees and disbursements, and will indemnify Morgan Joseph against certain liabilities arising out of its engagement.

Morgan Joseph is actively involved in the investment banking business and regularly undertakes the valuation of investment securities in connection with public offerings, private placements, business combinations and similar transactions. In the ordinary course of business, Morgan Joseph may trade in our securities for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

**Net Proceeds from the Transaction and Their Expected Use**

The net proceeds from the Transaction will vary based on final transaction expenses, taxes payable on the gain on the Transaction, and the net working capital calculation on the closing date. The \$210 million purchase price is based on projected working capital levels as of the closing date. Because this is a sale of assets, the amount by which the purchase price exceeds the net tax basis of the sold assets is subject to U.S. federal and state income taxes. We estimate that the U.S. federal and state income taxes and other taxes associated with the Transaction will be approximately \$27 million as a result of net operating loss carry forward available to us in the United States.

We have not yet determined how we will use the proceeds, but we may use them for a variety of purposes, including any or all of the following: strategic acquisitions, repurchases of outstanding shares of common stock, dividends to stockholders and general corporate purposes. If we elect to use a portion of the proceeds for strategic acquisitions, we will seek to acquire businesses that are complementary to our then-existing business, including businesses involved in engineering and manufacturing equipment, including electronic equipment used in alternative energy markets.

**Nature of our Business Following the Transaction**

After the Transaction is completed, we will have two remaining divisions: Electron Device Group ("EDG") and Canvys.

*Electron Device Group*

Since 1947, EDG has been in the business of manufacturing and distributing electron tubes, microwave generators, vacuum capacitors and related components and sub-assemblies. EDG also provides engineered solutions consisting of design and assembly services, component modification and development of customer-specific solutions designed to fit unique applications.

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EDG serves customers in diverse markets including manufacturers and users of equipment in the semiconductor, steel, automotive, textile, plastics, marine, avionics, and broadcast equipment industries. We design solutions and provide components for applications such as industrial heating, laser technology, semiconductor manufacturing, radar, and welding.

Typically, our engineered solutions and products are used in high power and high frequency applications. We provide our solutions and products to original manufacturers of systems and equipment requiring such high power or high frequency devices and provide replacement products to the industrial end-users of such systems and equipment.

We represent and support leading manufacturers of electron tubes and microwave and vacuum devices, including Amperex, CPI, Draloric, Eimac, General Electric, Hitachi, Jennings, Litton, L3, National, NJRC, and Thales.

*Canvys*

Canvys is a global provider of integrated display products, workstations, and value-add services to the healthcare, industrial and medical original equipment manufacturer ("OEM"), and digital signage markets. Our engineers design, manufacture, source, and support a full spectrum of display solutions to match the needs of our customers. We offer custom display solutions that include touch screens, protective panels, custom enclosures, specialized cabinet finishes and application specific software packages. We also offer display products under our own brands, including Image Systems and Pixelink. In addition, we partner with leading branded hardware vendors to offer the highest quality liquid crystal displays, mounting devices, and customized computing platforms.

As a longtime provider of healthcare solutions, we specialize in creating comprehensive solutions for diagnostic and clinical review, 3-D and post processing, surgical suites and modality-specific applications. In addition, all of our solutions meet the most critical agency certifications and calibration standards for patient monitoring, bio-medical displays, ultrasound, cardiac imaging and picture archiving and communications systems.

The industrial OEM market offers a wide range of custom-based project opportunities that complement our ability to provide value-added manufacturing capabilities. We continue to focus on specialty display applications by leveraging engineering resources and advanced technologies. We meet the needs of this complex market environment by providing programs and material management services.

The digital signage market is an area that represents a tremendous long-term growth opportunity once information technology discretionary spending recovers from the economic downturn. We utilize a turn-key approach for growing sales and service revenue specific to signage applications, targeting (but not limited to) the enterprise, financial, and hospitality markets. We provide display hardware and associated products, computers, and diagnostic software that are either branded or custom variations.

We have long-standing relationships with key component and finished goods manufacturers including 3M, AUO, CMO, Eizo, HP, IBM, Intel, LG, NEC Displays, Sharp Electronics, Samsung, and WIDE Corporation. We believe our distributor relationships, in conjunction with our OEM manufacturing capabilities and private label brands, allow us to maintain a well-balanced and technologically advanced line of products.

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**Effect of the Transaction on Stock Options and Stock-Based Awards**

Under the terms of our outstanding non-qualified stock option agreements, an employee whose employment with us terminates has 90 days from the date of such termination to exercise vested but unexercised stock options that were held by such employee on the date of termination. In connection with the Transaction, we will be amending the terms of the outstanding non-qualified stock option agreements of those employees whose employment will transfer to Arrow Electronics at closing by extending the time period that they have to exercise their vested but unexercised options from 90 days to the earlier of one year following termination of employment or the original term of the award. Other than this, there will be no changes to the terms of any of our outstanding stock options and other stock-based awards.

**Interests of Our Directors and Executive Officers in the Transaction**

*Effect of the Transaction on Stock Options and Stock-Based Awards Held by our Directors and Executive Officers*

The Transaction will have no effect on the stock options or stock-based awards held by our directors or executive officers.

*Potential Payments to Executive Officers*

All of our executive officers participate in our 2011 incentive plan, which establishes financial metrics and other performances objectives for each executive officer. Under the 2011 incentive plan, each executive officer other than Ms. Diddell has a portion of his or her annual bonus opportunity based on our annual net income after taxes.

In addition, Mr. Richardson participates in the Edward J. Richardson Incentive Compensation Plan. Under the plan, Mr. Richardson is eligible for an annual cash bonus equal to 2% of our annual net income after taxes each fiscal year, subject to exclusion of extraordinary items at the discretion of the compensation committee of our Board. Awards under the Edward J. Richardson Incentive Compensation Plan are discretionary and subject to the compensation committee's right, in its sole and exclusive discretion, to reduce the bonus, including a reduction to zero.

Awards under both plans are subject to the discretion of the compensation committee and, if the Transaction is completed, the compensation committee may determine to include within net income for fiscal 2011 some or all of the proceeds from the Transaction and may therefore award bonuses to some or all of our executive officers based on net income generated from the Transaction.

**Stockholder Approval Requirement**

The Board is seeking stockholder approval of the Transaction because we are a Delaware corporation and the Transaction may constitute the sale of "substantially all" of our property and assets under Section 271 of the General Corporation Law of the State of Delaware (the "DGCL"). Section 271 of the DGCL requires that a Delaware corporation obtain the approval of the stockholders for the sale of "all or substantially all of its property and assets." Additionally, approval of the Transaction by stockholders is a closing condition under the Acquisition Agreement.

The affirmative "FOR" vote of the holders representing a majority of the voting power of the outstanding shares of our common stock and our Class B common stock, voting together, is required to approve the Transaction. At the record date, shares representing 22,497,410 votes constituted a majority and Mr. Richardson held shares representing 29,806,486 votes.

A quorum must be present or represented at the Special Meeting for our stockholders to conduct business at the Special Meeting. We will have a quorum for the Special Meeting if the holders

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outstanding shares of our common stock entitled to vote at the Special Meeting and representing a majority of the voting power, or 22,497,410 votes, are present at the Special Meeting, either in person or represented by proxy. Abstentions and "broker non-votes" are counted as present for the purpose of determining whether a quorum is present. Generally, a broker non-vote occurs on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given.

**No Changes to the Rights of Stockholders**

There will be no change in the rights of our stockholders as a result of the Transaction.

**Appraisal Rights in Respect of the Transaction**

Under Delaware law, our stockholders are not entitled to appraisal rights in connection with the Transaction.

**Regulatory Matters**

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the related rules and regulations that have been issued by the Federal Trade Commission (the "FTC"), certain acquisition transactions may not be consummated until specified information and documentary material has been furnished for review by the FTC and the Antitrust Division of the Department of Justice (the "Antitrust Division") and specified waiting period requirements have been satisfied. These requirements apply to the Transaction. Richardson Electronics and Arrow Electronics filed their respective required premerger notification and report forms on October 15, 2010.

In addition, the Transaction may be subject to various foreign antitrust laws. To the extent required, we and Arrow Electronics expect to file notifications in certain foreign jurisdictions.

Although there can be no assurance that the Transaction will not be challenged by a governmental authority or private party on antitrust grounds, we, based on a review of information provided by Arrow Electronics relating to the businesses in which they and its affiliates are engaged, believe that the Transaction can be effected in compliance with federal, state and foreign antitrust laws. The term "antitrust laws" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other Federal, state and foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

Other than applicable antitrust laws, neither we nor Arrow Electronics are aware of any other regulatory requirements or governmental approvals or actions that may be required to consummate the Transaction, except for compliance with the applicable regulations of the SEC in connection with this proxy statement.

**Accounting Treatment of the Transaction**

If the Transaction is consummated, it is expected to be accounted for as a sale of assets, in conformity with accounting principles generally accepted in the United States of America. At the closing of the Transaction, the excess of the purchase price received by us, less transaction expenses, over the carrying value of the assets sold in the Transaction will be recognized as a gain for financial accounting purposes. Contingent consideration, if any, to be received in connection with the sale of RFPD will be recorded in subsequent periods, when received. In subsequent reporting periods, the presentation of RFPD for current and prior years, including the gain on sale of its assets after the Transaction is consummated, will be presented in our financial statements as a discontinued operation for financial accounting purposes. For additional information, see "Pro Forma Consolidated Financial Statements" which are attached hereto at Annex E.

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**Material United States Federal Income Tax Consequences**

The following is a summary of the material United States federal income tax consequences of the Transaction based upon the Internal Revenue Code of 1986, as amended, applicable U.S. Treasury Regulations, court decisions, and rulings and pronouncements of the Internal Revenue Service, all as in effect on the date hereof and, all of which are subject to change, possibly on a retroactive basis. This summary does not purport to be a complete analysis of all federal income tax consequences of the Transaction, nor does it address any aspect of state, local, foreign or other tax laws.

The Transaction will be treated as a sale of corporate assets in exchange for cash and the assumption of certain liabilities. The Transaction is a taxable transaction for United States federal income tax purposes. We will realize gain with respect to the assets of RFPD equal to the difference between the proceeds received by us on such sale and our tax basis in the assets sold. However, it is anticipated that we may have tax attributes available to offset a portion of our federal income tax liability resulting from the Transaction. The determination of whether and to what extent our tax attributes will be available is highly complex and is based in part upon facts that will not be known until the completion of the Transaction. To the extent tax attributes are not available to offset all of our federal income tax liability resulting from the Transaction, the proposed Transaction will generate a United States federal income tax liability to us and in such case would reduce the net after tax proceeds available for future use by us.

The Transaction is entirely a corporate action and therefore will not be taxable to our stockholders.

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**RISK FACTORS RELATING TO THE PROPOSAL TO APPROVE THE TRANSACTION**

*You should carefully consider the risk factors described below and those risk factors generally associated with our business contained in our Annual Report on Form 10-K for the year ended May 29, 2010, and our subsequent SEC filings, along with other information provided to you in this proxy statement, in deciding how to vote on the proposal to approve the Transaction. See "Where You Can Find Additional Information" beginning on page 57. The special risk considerations described below are not the only ones facing us. Additional considerations not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following special risk considerations actually occurs, our business, financial condition or results of operations could be materially adversely affected, the market price of our common stock may decline, and you may lose all or part of your investment.*

***While the proposed Transaction is pending, we may experience business uncertainties and are subject to restrictions on the conduct of our business.***

Uncertainty about the effect of the proposed Transaction on employees, suppliers and customers may have an adverse effect on us. These uncertainties may impair our ability to attract, retain and motivate key personnel until the proposed Transaction is consummated, and could cause third parties, including our suppliers and customers, to seek to change existing business relationships with us, which could have an adverse effect on our results of operations. In addition, the Acquisition Agreement restricts us from taking specified actions without Arrow Electronics' approval including, among other things, making certain acquisitions or dispositions, making certain capital expenditures, and entering into, terminating or amending material contracts. Our management may also be required to devote substantial time to Transaction-related activities, which could otherwise be devoted to our day-to-day business operations or pursuing other beneficial business opportunities.

***Failure to complete the proposed Transaction could negatively impact our stock price and financial results.***

Consummation of the proposed Transaction is subject to various conditions, including, among others, approval of the Acquisition Agreement by our stockholders and expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. There can be no assurance that the Transaction will be completed in a timely manner or at all. If the Transaction is not completed in a timely manner, we will be subject to several risks, including the following:

we may be required to pay Arrow Electronics a termination fee of \$8.4 million and/or reimburse Arrow Electronics for up to \$1.6 million of its expenses incurred in connection with the transactions contemplated by the Acquisition Agreement;

the current market price of our common stock may reflect a market assumption that the Transaction will occur, and a failure to complete the Transaction could result in a negative perception by the stock market of us generally and a decline in the market price of our common stock; and

certain costs relating to the Transaction, such as legal, accounting and fairness opinion fees, are payable by us whether or not the Transaction is completed.

***The Acquisition Agreement contains provisions that could discourage a potential competing acquirer of us.***

The Acquisition Agreement contains "no shop" provisions that, subject to limited exceptions, restrict our ability to solicit, initiate, or knowingly encourage and facilitate competing third-party proposals for the acquisition of our stock or assets. Further, even if our Board withdraws or qualifies its recommendation with respect to the Transaction, we will still be required to submit the proposed Transaction proposal to a vote at a special meeting. In addition, Arrow Electronics generally has an

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opportunity to offer to modify the terms of the Transaction in response to any competing acquisition proposals before our Board may withdraw or qualify its recommendation with respect to the Transaction in response to a third party proposal. In some circumstances, upon termination of the Acquisition Agreement, we will be required to pay a termination fee of \$8.4 million to Arrow Electronics. These provisions could discourage a potential third-party acquirer that might have an interest in acquiring all or a significant portion of us from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher cash or market value than the market value proposed to be received or realized in the Transaction.

If the Acquisition Agreement is terminated and we seek another transaction to sell our RFPD business, we may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Transaction.

***The amount of net proceeds that we will receive from the Transaction is subject to uncertainties.***

Our proceeds from the Transaction will consist of \$210 million in cash and we estimate that we will have approximately \$180 million in after tax proceeds. However, the actual proceeds available to us is subject to uncertainties. See "Material United States Federal Income Tax Consequences" beginning on page 35. The total consideration we receive may increase or decrease based on a post-closing working capital adjustment. The amount of net proceeds is subject to further reduction after the closing if Arrow Electronics successfully asserts claims for indemnification pursuant to the indemnification provisions of the Acquisition Agreement. Furthermore, we may have unforeseen liabilities and expenses that must be satisfied from the after-tax net proceeds of the Transaction. As a result, the amount of the net proceeds from the Transaction is subject to substantial uncertainty, and it is possible that the net proceeds from the Transaction will be materially less than we expect.

***You are not guaranteed any of the proceeds from the Transaction.***

We have not determined the exact use of the net proceeds from the Transaction and cannot guarantee that we will distribute any of the net proceeds from the Transaction to our stockholders. You should not vote to approve the Transaction based upon the assumption that you will receive any portion of the net proceeds from the Transaction. Our management could spend or invest the proceeds from the Transaction in ways with which you may not agree and the investment of these proceeds may not yield a favorable return.

***If we are deemed to be an investment company as a result of the completion of the Transaction, we will be required to meet burdensome compliance requirements and restrictions on our activities.***

If we are deemed to be an "investment company" as defined under the Investment Company Act of 1940 (the "Investment Company Act") as a result of the completion of the Transaction, the nature of our investments may be subject to various restrictions. In addition, we may be subject to burdensome compliance requirements and may have to:

register as an investment company;

adopt a specific form of corporate structure; and

report, maintain records and adhere to voting, proxy, disclosure and other requirements.

We do not believe that our planned principal activities following the completion of the Transaction will subject us to the Investment Company Act. If we are deemed to be subject to the Investment Company Act, compliance with these additional regulatory burdens would increase our operating expenses.

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***By completing the Transaction, we will no longer be engaged in the business of distributing radio frequency and wireless electronic components.***

RFPD accounted for a significant portion of our revenue for the fiscal year ended May 29, 2010 and for the three months ended August 28, 2010. By selling substantially all of our assets relating to RFPD to Arrow Electronics, we will be exiting the business of distributing radio frequency and wireless electronic components. Upon the closing of the Transaction, EDG and Canvys will be our only operating businesses and, accordingly, our profitability will be entirely dependent upon these lines of business. On a pro forma basis, EDG and Canvys have generated net operating losses for the past three fiscal years and have generated only modest operating gains for the first three months of fiscal 2011. To make our business profitable after completing the Transaction, we will need to reduce expense and to grow revenue. If we cannot adjust our operations to make EDG and Canvys profitable, we may experience ongoing losses and expenses. Accordingly, we may need to seek additional funding. We would likely seek such funding through public or private financing or some combination thereof. Additional funding may not be available to us on acceptable terms, or at all.

***If the Transaction is completed, our remaining business and assets will be less diversified.***

After selling RFPD, we will focus our efforts on operating and growing EDG and Canvys. We may encounter unanticipated difficulties or challenges as we transition into a company dependent primarily on electron tube distribution and display screen solutions business for growth. If we are unable to address and overcome these difficulties or challenges, we may not be successful with our new business focus.

***We will be unable to compete with RFPD for a period of three years after the date of the closing of the Transaction.***

The Acquisition Agreement provides that for a period of three years after the date of the closing of the Transaction, we will be prohibited from manufacturing, distributing, marketing or selling any RFPD products anywhere in the world. In addition, we cannot own, own, manage, operate, invest in or acquire more than 5% of the capital stock or equity, or a significant portion of the assets of, a person that engages in any of the foregoing activities. These restrictions may prevent us from pursuing business opportunities that would be attractive to us or our stockholders.

***The Acquisition Agreement will expose us to contingent liabilities that could have a material adverse effect on our financial condition.***

We have agreed to indemnify Arrow Electronics for breaches of any representation, warranty, or covenant made by us in the Acquisition Agreement, for losses arising out of or in connection with excluded assets or excluded liabilities, and for certain other matters. Significant indemnification claims by Arrow Electronics could have a material adverse effect on our financial condition. We will not be obligated to indemnify Arrow Electronics for any breach of the representations, warranties or covenants made by us under the Acquisition Agreement unless any individual claim for indemnification exceeds \$10,000 and the aggregate amount of all such claims for indemnification exceed \$2.1 million. In the event that claims for indemnification for breach of most of the representations and warranties made by us under the Acquisition Agreement exceed this threshold, we will be obligated to indemnify Arrow Electronics for any damages or loss resulting from such breach in excess of \$2.1 million up to \$42 million. Claims for indemnification for breaches of covenants made by us under the Acquisition Agreement and for breaches of representations and warranties related to authorization, taxes and brokers will not be subject to the deductible or aggregate liability cap described above. Claims for indemnification for losses by Arrow Electronics arising out of or in connection with excluded assets or excluded liabilities and certain other matters are not subject to any of the individual limit, the deductible or the aggregate liability cap described above.



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*If the information technology services that are to be rendered to us pursuant to the Transition Services Agreement are not adequately provided to us, our business may suffer.*

Pursuant to the Acquisition Agreement, Arrow Electronics is purchasing our entire IT operations, and pursuant to the Transition Services Agreement it is required to provide IT services to us consistent with those services provided to us by our IT operations prior to the Transaction. If the IT services provided by Arrow Electronics are not provided to us in an adequate manner, we may be unable to find an alternative means of obtaining such IT services in a timely manner, which could significantly impair our ability to effectively serve our customers and perform other vital company functions. In such event, our results of operations could suffer.

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**THE ACQUISITION AGREEMENT AND CERTAIN RELATED AGREEMENTS**

The following is a summary of the material terms of the Acquisition Agreement. This summary does not purport to describe all the terms of the Acquisition Agreement and is qualified in its entirety by reference to the full text of the Acquisition Agreement, which is attached as Annex A. We urge you to read the Acquisition Agreement carefully and in its entirety because it, and not the summary set forth in this proxy statement, is the legal document that governs the Transaction.

The representations, warranties and covenants contained in the Acquisition Agreement were made only for purposes of the Acquisition Agreement as of specific dates and may be subject to more recent developments. Such representations, warranties and covenants were made solely for the benefit of the parties to the Acquisition Agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating risk between the parties instead of establishing these matters as facts, and may apply standards of materiality in a way that is different from what may be viewed as material by you or by other investors. For the foregoing reasons, you should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties or any of their respective subsidiaries or affiliates.

**General**

The Acquisition Agreement provides that Arrow Electronics will acquire all of the assets primarily used or held for use in, and certain liabilities of, our RF, Wireless & Power Division ("RFPD"), as well as certain other assets, including our information technology assets (the "Transaction").

**Consideration**

As consideration in the Transaction, we will be paid \$210 million in cash at closing. The closing consideration is subject to a post-closing working capital adjustment

**Closing**

Under the terms of the Acquisition Agreement, the Transaction is to close on the first business day of the month following the month in which the conditions precedent to closing set forth in the Acquisition Agreement have occurred or have been satisfied. The parties have agreed that the closing will not occur prior to January 1, 2011, and expect to close the Transaction in early 2011.

**Representations and Warranties**

The Acquisition Agreement contains general representation and warranties made by us and our subsidiaries that are parties to the Acquisition Agreement on the one hand and Arrow Electronics on the other, regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the Transaction.

We and our subsidiaries that are parties to the Acquisition Agreement made a number of representations and warranties to Arrow Electronics, including representations and warranties related to, among other things, the following matters:

corporate organization, good standing and qualification;

organizational power and authority to enter into the Acquisition Agreement;

required regulatory filings, consents and approvals of governmental entities;

title to, condition of and sufficiency of their assets;

equipment and inventory to be purchased by Arrow Electronics;



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accounts receivable to be acquired by Arrow Electronics;

certain financial statements of RFPD;

taxes;

changes since August 28, 2010;

litigation and unknown liabilities;

real property;

material contracts;

licenses and permits;

compliance with laws;

environmental matters;

intellectual property;

labor matters;

employee benefits;

customers and suppliers;

affiliate transactions;

brokers and finders;

the approval of the Transaction by our Board;

our solvency immediately following the closing of the Transaction; and

the fairness opinion delivered by Morgan Joseph.

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Arrow Electronics made a number of representations and warranties to us and our subsidiaries that are parties to the Acquisition Agreement, including representations and warranties related to, among other things, the following matters:

corporate organization, good standing and qualification;

organizational power and authority to enter into the Acquisition Agreement;

brokers and finders;

financial capability; and

litigation.

### **Employees**

Arrow Electronics has agreed, where provided for under applicable local laws, to take or cause to be taken such actions as are required to be taken to accomplish the transfer of employment from the Sellers to Arrow Electronics or its appropriate affiliates of certain employees of the Sellers. It is presently estimate that 410 employees in aggregate will transfer at Closing. For a period of not less than one year following the Closing, Arrow shall provide each transferred employee with aggregate compensation that is comparable to that aggregate compensation provided to such employee immediately prior to the Closing.

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**Operation of the Company Prior to Closing**

We have agreed in the Acquisition Agreement that, until the closing of the Transaction, we and each of our subsidiaries that are parties to the Acquisition Agreement will:

conduct the operations of the Business in the ordinary course;

use reasonable best efforts to maintain insurance in such amounts and against such risks and losses as are consistent with past practice and apply all insurance proceeds received with respect to claims made for the assets to be purchased by Arrow Electronics to replace or repair, as applicable, such assets; and

use reasonable best efforts to:

preserve intact RFPD's business organizations;

keep available the services of its current officers and the employees that are to transfer to Arrow Electronics at the closing;

preserve its relationships with customers, creditors and suppliers;

maintain its books, accounts and records; and

in all material respects comply with any applicable laws.

We have also agreed that, until the closing of the Transaction, except as Arrow Electronics may otherwise consent to or approve in writing with respect to RFPD, we and each of our subsidiaries that are parties to the Acquisition Agreement will not:

amend its certificate of incorporation or bylaws (or equivalent governing documents) in any manner which could reasonably be expected to adversely affect the Transaction;

merge or consolidate with any entity or acquire any interest in any business or entity;

liquidate, dissolve or effect any recapitalization or reorganization in any form;

sell, lease, license, transfer, encumber or otherwise dispose of any of the assets to be purchased by Arrow Electronics, in each case that are material, individually or in the aggregate, to RFPD;

create, incur, assume or suffer to exist any new encumbrances affecting any of the assets to be purchased by Arrow Electronics;

change any of the accounting principles or practices used by it in the preparation of the RFPD financial statements that were provided to Arrow Electronics;

change in any material respect its pricing policies or credit practices, the rate or timing of its payment of accounts payable or its collection of accounts receivable or change its earnings accrual rates on contracts;

fail to pay any creditor any amount owed to such creditor in the ordinary course, unless such amount is being contested or disputed in good faith by the applicable Seller;

enter into or renew any contract with or engage in any transaction (other than certain previously disclosed transactions) with any affiliate for which Arrow Electronics could have any liability;

make any capital investment in, any loan to or any acquisition of securities other than in the ordinary course;

except for the purchase of supplies in the ordinary course, make any capital expenditures or commitments for capital expenditures, either involving more than \$300,000, or outside the ordinary course;

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enter into, terminate, renew, amend in any material respect or waive any material right under, certain material contracts, except in the ordinary course;

take or fail to take any action that will cause a termination of or material breach or default under certain material contracts;

make or change any material tax election, settle or compromise any material tax liability, file any amendment to a tax return, settle any material claim or material assessment in respect of taxes or consent to any extension or waivers of the limitation period applicable to any claim or assessment in respect of taxes, or change in any material respect any accounting method in respect of taxes, with respect to RFPD or the assets to be acquired by Arrow Electronics, except (i) in the ordinary course, or (ii) other than in the ordinary course if such action would not have any adverse impact upon, or create any Liability, for Arrow Electronics or, after the closing, RFPD;

settle or compromise any material pending or threatened legal proceeding for more than \$300,000 in any way which would have any adverse impact upon, or create any liability, for Arrow Electronics or, after the closing, RFPD; or

subject to certain exceptions, (i) grant any severance, retention or termination pay to, or amend any existing severance, retention or termination arrangement with, any current or former manager, officer or employee of RFPD, (ii) increase or accelerate the payment or vesting of benefits payable under any existing severance, retention or termination pay policies or employment agreements, (iii) enter into or amend any employment, consulting, deferred compensation or other similar agreement with any manager, officer, or consultant of RFPD, other than execution of standard employment terms and conditions by new employees in the ordinary course, (iv) establish, adopt or amend (except as required by applicable law) any collective bargaining agreement, bonus, profit-sharing, thrift, pension, retirement, post-retirement medical or life insurance, retention, deferred compensation, compensation, stock option, restricted stock or other benefit plan or arrangement covering any present or former manager, director, officer or employee, or any beneficiaries thereof, of the business, (v) undertake any office closing or employee layoffs, except in the ordinary course, or (vi) increase the compensation, bonus or other benefits payable or to become payable to any manager, director or officer or employee of RFPD except in the ordinary course.

**Access Prior to Closing**

We have agreed to give Arrow Electronics access, at all reasonable times prior to closing, to all RFPD plants, properties, management, books and records.

**Alternative Transactions**

During the pendency of the Acquisition Agreement, Sellers and RFPD will not, and will cause each of their affiliates and subsidiaries and their respective representatives, agents, employees, officers and directors not to:

directly or indirectly solicit, initiate or encourage the submission of any alternative acquisition proposals;

enter into any letter of intent, agreement in principle, acquisition agreement or any other agreement with respect to any alternative acquisition proposal; or

directly or indirectly participate in any discussions or negotiations regarding, or furnish to any person any non-public information with respect to, or knowingly take any other action to



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facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any alternative acquisition proposal.

Further, upon execution of this Acquisition Agreement, we, our subsidiaries and our and their respective representatives agreed to immediately cease and cause to be terminated all existing discussions or negotiations with any other person or entity previously conducted with respect to any alternative acquisition proposal.

However, at any time prior to the approval of the Transaction by our stockholders, we may, in response to an unsolicited alternative acquisition proposal:

furnish information with respect to us and our affiliates to the party making such alternative acquisition proposal and its representatives pursuant to a customary confidentiality and standstill agreement; and

participate in discussions or negotiations with such party and its representatives regarding any alternative acquisition proposal, if our Board (i) believes in good faith that such alternative acquisition proposal to be bona fide, (ii) determines in good faith (after consultation with outside legal counsel and a qualified financial advisor) that the unsolicited alternative acquisition proposal constitutes or would reasonably be expected to lead to a transaction that is more favorable, from a financial point of view to our stockholders, than the Transaction, (iii) determines that the failure to take any of the above actions would not be consistent with its fiduciary duties to our stockholders under Delaware Law and (iv) complies in all material respects with the requirements to notify Arrow Electronics of such an alternative acquisition proposal as set forth in the Acquisition agreement.

At any time prior to the date on which our stockholders approve the Transaction, if our Board (i) receives an alternative acquisition proposal that it determines in good faith (after consultation with outside legal counsel and a qualified financial advisor) constitutes a superior deal to the Transaction, and (ii) determines in good faith (after consultation with outside legal counsel) that failure to take any of the following actions would not be consistent with its fiduciary duties to our stockholders under Delaware Law, then our Board may:

withdraw its recommendation that our stockholders vote in favor of the Transaction, or approve or recommend that our stockholders vote in favor of an alternative deal to the Transaction; and/or

cause the Company to enter into such an alternative transaction, but only if it concurrently terminates the Acquisition Agreement (as set forth in more detail below) and pays Arrow Electronics the applicable termination fees and expenses in accordance with the Acquisition Agreement.

If our Board determines to withdraw its recommendation that the Company's stockholders vote in favor of the Transaction, or approve or recommend that our stockholders vote in favor of an alternative deal to the Transaction, or to cause the Company to enter into an alternative transaction, such action may only become effective after the end of the fifth (5th) day following Arrow Electronics' receipt of written notice from us of such intended action (provided that any material amendment to the terms of such an alternative deal shall require new notice to Arrow and an additional five day period before such action becomes effective). In determining whether to take any such action, our Board shall negotiate in good faith with Arrow Electronics and its representatives (to the extent Arrow Electronics desires to do so) with respect to any offer from Arrow Electronics and take into account in good faith any changes to the terms of the Acquisition Agreement proposed by Arrow Electronics in response to such an intended action in determining whether the proposed alternative deal is superior to the Transaction.

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We have also agreed to, within 48 hours of receipt of an alternative acquisition proposal, advise Arrow Electronics orally and in writing (a) of such alternative acquisition proposal, (b) the identity of the party making such alternative acquisition proposal and (c) the material terms of any such alternative acquisition proposal, and also to keep Arrow Electronics reasonably informed of the status of any such alternative acquisition proposal.

**Non-Compete and Non-Solicitation**

For a period of three years beginning after the closing, subject to certain customary exceptions:

the Sellers have agreed not to manufacture, distribute, market or sell any RFPD products or any products that are mechanically and electronically interchangeable with RFPD products anywhere in the world, provided that Sellers may manufacture such products if operating as a contract manufacturer to a customer or if it first offers RFPD the opportunity to purchase such products for distribution; and

Arrow Electronics has agreed not to, and to cause its affiliates not to manufacture, distribute, market or sell any electron tubes anywhere in the world.

In addition, for a period of three years from and after the closing, the Sellers have agreed not to:

solicit the employment of any employees who transfer to Arrow Electronics while such person is, or was within the twelve (12) month period prior to his or her solicitation of employment, an employee of Arrow Electronics or one of its affiliates, other than through general advertising not specifically directed at such employees;

hire any employees who transfer to Arrow Electronics while such person is, or was within the twelve (12) month period prior to his or her offer of employment, an employee of Arrow Electronics or one of its affiliates; or

solicit, entice, induce or encourage any employees who transfer to Arrow Electronics or any other employee, consultant or independent contractor of Arrow Electronics to terminate his, her or its relationship with Arrow Electronics in order to become an employee of, or a consultant or independent contractor to, a person other than Arrow Electronics.

Further, other than the solicitation of Company employees contemplated by the Acquisition Agreement, for a period of three years from and after the closing, Arrow Electronics has agreed that it will not take any action, formal or informal, direct or indirect, to:

solicit the employment of any person while such person is, or was within the twelve (12) month period prior to his or her solicitation of employment, an employee of the Sellers other than through general advertising not specifically directed at such employee;

hire any employee of a Seller while such person is, or was within the twelve (12) month period prior to his or her offer of employment, an employee of such Seller or one of its affiliates; or

solicit, induce or encourage any employee of the Sellers or any consultant or independent contractor of the Seller to terminate his, her or its relationship with the Sellers in order to become an employee of, or a consultant or independent contractor to, a person other than a Seller.

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**Conditions to Closing**

Arrow's obligation to complete the Transaction is subject to the satisfaction or waiver, prior to the consummation of the Transaction, of certain conditions, including:

the accuracy in all material respects of the sellers' representations and warranties and the sellers' performance in all material respects of their obligations under the Acquisition Agreement, provided that this condition will be deemed satisfied unless one or more inaccuracies causes a material adverse effect in excess of \$7,000,000;

the approval of the Transaction by our stockholders in accordance with Delaware law;

the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act relating to the Transaction and the receipt of certain other foreign antitrust approvals;

the absence of any judicial order that prohibits the consummation of the Transaction; and

the delivery to Arrow by us of bills of sale, deeds or other applicable documents of transfer necessary to effect the Transaction.

Our obligation to complete the Transaction is subject to the satisfaction or waiver, prior to the consummation of the Transaction, of certain conditions, including:

the accuracy in all material respects of Arrow's representations and warranties and Arrow's performance in all material respects of its obligations under the Acquisition Agreement;

the approval of the Transaction by our stockholders in accordance with Delaware law;

the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act relating to the Transaction and the receipt of certain other foreign antitrust approvals; and

the absence of any judicial order that prohibits the consummation of the Transaction.

**Termination; Termination Fees and Expenses**

This Acquisition Agreement may only be terminated:

by mutual written consent of us and Arrow Electronics;

by us or Arrow Electronics if the closing shall not have occurred on or before April 1, 2011, except that a party may not exercise this termination right if that party's failure to perform any of its obligations under the agreement resulted in the failure of the Transaction to be completed by such date;

by us or Arrow Electronics, upon the issuance of any final, nonappealable order by a court of competent jurisdiction precluding the consummation of the closing or the transactions contemplated by the Acquisition Agreement, provided that a

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party whose failure to perform any of its obligations under the Acquisition Agreement was the primary cause of such issuance may not exercise this termination right;

by us or Arrow Electronics, if at our stockholder meeting the Acquisition Agreement and transactions contemplated there by is not approved;

by Arrow Electronics, if our Board withdraws or modifies its recommendation to our stockholders to approve the Transaction, or approves or recommends an alternative acquisition proposal, or proposes publicly to take any such action, or otherwise causes or permits us to enter into a superior deal as detailed above and in the Acquisition Agreement;

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by Arrow Electronics, if we shall have willfully and materially breached the provisions of the Acquisition Agreement regarding alternative offers in any respect adverse to Arrow Electronics;

by Arrow Electronics, in the event the Sellers are in breach of any representation, warranty, covenant or agreement contained in this Acquisition Agreement, and such breach, individually or in combination with any other breach, would cause any of Arrow Electronics' closing conditions set forth in the Acquisition Agreement not to be satisfied;

by us if we enter into an alternative agreement that we deem to be a superior deal, in accordance with the relevant provision of the Acquisition Agreement; or

by us, in the event that Arrow Electronics is in breach of any representation, warranty, covenant or agreement contained in the Acquisition Agreement, and such breach, individually or in combination with any other such breach, would cause any of our closing conditions set forth in the Acquisition Agreement not to be satisfied.

Further, in the event that:

within eighteen (18) months after the Acquisition Agreement is terminated because either (i) the closing did not occur prior to April 1, 2011, (ii) the transactions contemplated by the Acquisition Agreement were not approved at our stockholder meeting or (iii) we willfully and materially breach the provisions of the Acquisition Agreement regarding alternative offers for the RFPD business, and we have entered into a definitive agreement for, or consummated, any transaction involving 50% or more of the assets, voting securities or equity securities of us or the Sellers; or

the Acquisition Agreement is terminated by Arrow Electronics as a result of a change in the recommendation of our Board with respect to the transactions contemplated by the Acquisition Agreement, or by us upon entering into an alternative transaction that our Board deems to be a better deal than the Transaction,

Then the Sellers shall pay the Buyer a termination fee equal to \$8,400,000, and in addition, shall pay all of Arrow Electronics' reasonable out-of-pocket expenses, actually documented and incurred or payable by or on behalf of Arrow Electronics in connection with or in anticipation of the transactions contemplated by the Acquisition Agreement, including all attorney's fees, fairness opinion fees, accountants' fees and filing fees, up to a maximum amount of \$1,600,000 in the aggregate.

**Indemnification**

Subject to certain limitations, we have agreed to indemnify and hold harmless Arrow Electronics and its directors, shareholders, officers and employees (in their capacity as such), and its and their affiliates and agents against and in respect of any and all losses incurred directly or indirectly, in connection with, arising from or as a result of a number of items, including:

any breach, non-fulfillment or violation of the covenants made in the Acquisition Agreement by us or any of our affiliates;

any breach of any of the representations and warranties made in the Acquisition Agreement by us;

the ownership, use or possession of certain assets that are excluded from the Transaction;

certain liabilities that we or our affiliates are retaining in connection with the Transactions; or

any fraud, intentional misrepresentation or criminal acts committed by or on behalf of any Seller or any of its Affiliates on or prior to the Closing Date.

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Subject to certain limitations, Arrow Electronics has agreed to indemnify and hold harmless us and each Seller and its and their directors, shareholders, officers and employees, and their affiliates and agents against and in respect of any and all losses incurred directly or indirectly in connection with, arising from or as a result of:

any breach, non-fulfillment or violation of the covenants made in the Acquisition Agreement by Arrow Electronics or any of its affiliates;

any breach of any of the representations or warranties made in the Acquisition Agreement by Arrow Electronics;

the liabilities that are being assumed by Arrow Electronics or its affiliates as part of the Transaction; or

any fraud, intentional misrepresentation or criminal acts committed by or on behalf of Arrow Electronics or any of its affiliates on or prior to the Closing Date.

The foregoing indemnification obligations are subject to a number of limitations, including, subject to certain exceptions:

the indemnifications provisions, in regards to breaches of representations or warranties, excluding certain representations and warranties related to corporate authority, good title to assets, conflicts, consents and brokers, shall only be effective for individual items for which indemnification is sought exceeds \$10,000;

losses related to breaches of representations or warranties, excluding certain representations and warranties related to corporate authority, good title to assets, conflicts, consents and brokers, for which indemnification is sought (excluding any Losses that do not exceed \$10,000) must exceed U.S. \$2,100,000 in the aggregate, in which case the party seeking indemnification shall only be entitled to indemnification for the amount in excess thereof; and

our indemnification obligations due to breaches of representations or warranties shall be effective only until the dollar amount paid by us in respect of all losses indemnified against aggregates \$42,000,000, subject to certain exceptions, under which circumstances such limit does not apply.

**Fees and Expenses**

Pursuant to the Acquisition Agreement, each party is generally responsible for the payment of all costs and expenses incident to its negotiation and preparation of the Acquisition Agreement and to its performance and compliance with all agreements and conditions contained therein, including the fees and expenses of its counsel and accountants.

**Amendment; Waiver**

Any provision of the Acquisition Agreement may be amended or waived only if such amendment or waiver is in writing and signed, in the case of an amendment, by the Company and Arrow Electronics, or in the case of a waiver, by the party against whom the waiver is to be effective.

**Voting Agreement**

In order to induce Arrow Electronics to enter the Acquisition Agreement, Arrow Electronics and Mr. Richardson, who beneficially owns and has the right to vote shares of our Common Stock and Class B Common Stock which collectively represent approximately 67% of the voting power of the issued and outstanding shares of our Common Stock and Class B Common Stock, have entered into a Voting Agreement (the "Voting Agreement") pursuant to which Mr. Richardson has appointed Arrow





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Electronics' Secretary and Treasurer as proxy for him to vote all of his shares of our Common Stock and Class B Common Stock at the special meeting for the Transaction and against any proposal regarding any other alternative acquisition proposal for RFPD. The Voting Agreement automatically terminates if the Acquisition Agreement is terminated by its terms.

**Agreements Related to the Acquisition Agreement**

At the Closing, we anticipate entering into a number of agreements with Arrow Electronics. These agreements have been approved by the Board and do not require stockholder approval. The following is a description of the principal provisions of these agreements:

***Transition Services Agreement***

To help facilitate the transition of RFPD to Arrow Electronics, the Company will agree to provide or cause to be provided to Arrow Electronics, certain financial support services, warehouse services, and access to facilities on a transitional basis commencing immediately following the Closing and in accordance with the terms and subject to the conditions set forth in the Transition Services Agreement. In addition, Arrow Electronics will agree to provide or cause to be provided to the Company, certain information technology services on a transitional basis following the Closing in accordance with the terms and subject to the conditions set forth in the transition services agreement. Arrow Electronics will also provide certain warehouse services, and access to facilities and equipment on a transitional basis to us following the Closing. The recipient of any such services will pay the provider of such services in the amounts specified therein. Subject to certain limitations, each recipient will agree to indemnify each provider and its affiliates for, among other things, losses incurred as a result of certain breaches of the transition services agreement, gross negligence or willful misconduct or bodily injury or death resulting from negligence or willful misconduct. Either party may terminate any service or access to any facility in accordance with the terms set forth therein, however, such party may be subject to a termination charge.

***LaFox Lease***

We currently own a building located at 40W267 Keslinger Road, LaFox, Illinois as well as the surrounding property on which this building is located. In connection with the Transaction, we will agree to lease to Arrow Electronics an approximately 25,375 square foot portion of the building, upon the terms and conditions set forth in the lease agreement (the "Lease"). Arrow Electronics will use the premises solely for office use in connection with the operation of the business formerly conducted by RFPD and other ancillary uses reasonably related thereto. Arrow Electronics will have the option to expand its initial square footage under the Lease to include adjacent space. The initial term of the Lease will be five years and Arrow Electronics will have the option to extend the term of the Lease for two additional periods of one year. The initial base rent shall be \$508,000 per annum, which amount shall be payable in equal monthly installments of \$42,333. The base rent rate shall increase by 2% each year commencing on January 1, 2012 and each anniversary thereafter. In the event the renewal options are exercised, base rent during the renewal terms shall be at the then fair market rental rate.

***Manufacturing Agreement***

In connection with the Transaction, we will enter into a manufacturing agreement with Arrow Electronics (the "Manufacturing Agreement") for a term of three years. Pursuant to the Manufacturing Agreement, we will agree to manufacture and sell certain products used in the RFPD business to Arrow Electronics in accordance with the terms and subject to the conditions described therein. The location for the Manufacturing Services shall be at the LaFox Facility unless otherwise agreed in writing between the parties. For Products (as defined therein) ordered by purchase orders received during the first twelve (12) months of the term, prices for the Products, including compensation for all

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Manufacturing Services thereunder, will be set forth therein. With respect to Products ordered by purchase orders received after the first twelve (12) months of the term, pricing for such Products shall be our costs to manufacture the Product multiplied by 1.25.

***Trademark License Agreement***

Pursuant to the Acquisition Agreement, we will enter into a trademark license agreement with Arrow Electronics (the "Trademark License Agreement"), granting Arrow Electronics a worldwide, perpetual, royalty-free, non-exclusive right and license to certain of our marks for use in connection with the sale, offering for sale, advertising and promotion of goods and services of the RFPD business. The Trademark License Agreement provides standard duties and obligations of Arrow Electronics, including that all use, promotions, marketing and advertising under, in connection with, and/or associated with the Marks by Arrow Electronics shall be conducted in accordance with our standards, rules and procedures in existence prior to the Closing Date of the Acquisition Agreement, or which may be agreed upon by us and Arrow Electronics from time to time. The Trademark License Agreement will remain in effect, enforceable, and continue in perpetuity from the execution date unless terminated sooner upon the occurrence of the following cases: (1) if Arrow Electronics uses, displays, attempts to use or display, or permits any third party to use, display, attempt to use or display any of the Marks in connection with electron tube or vacuum device goods or services; (2) if Arrow Electronics directly or indirectly attempts to alienate, assign, convey, or otherwise transfer the Trademark License Agreement or all or any part of the rights granted to Arrow Electronics thereunder in contravention of Section IV.B therein; or (3) if Arrow Electronics ceases provision of the Licensed Services (as defined therein) for any consecutive period of two years or longer.

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**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

Set forth on Annex D are our unaudited consolidated financial statements as included in our Form 10-Q for the quarter ended August 28, 2010. Set forth on Annex C are our audited financial statements as included in our Form 10-K for the fiscal year ended May 29, 2010.

**UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS**

Set forth on Annex E are our unaudited pro forma condensed financial information for the quarter ended August 28, 2010 and the fiscal years ended May 29, 2010, May 30, 2009 and May 31, 2008.

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**PROJECTED FINANCIAL INFORMATION**

In connection with preparing its fairness opinion, we provided Morgan Joseph with the projections of RFPD's operating performance for fiscal years 2011 through 2015 set forth below (the "Projections"). In addition, we provided Morgan Joseph with certain internal financial analyses and forecasts for RFPD, which were derived from the Projections, and certain probabilities assigned to the likelihood that the forecasts will be achieved, in each case prepared by our management, for use by Morgan Joseph in connection with its financial analyses.

We do not, as a matter of course, publicly disclose projections as to future financial performance for any of our businesses, including RFPD. The Projections were not prepared with a view to public disclosure and are included in this proxy statement only because such information was made available Morgan Joseph in connection with its financial analyses. The projections were not prepared in accordance with U.S. generally accepted accounting principles or with a view to compliance with published guidelines of the SEC regarding projections or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Furthermore, our independent auditors have not examined, compiled or otherwise applied procedures to the Projections and accordingly assume no responsibility for them. The Projections included in this proxy statement have been prepared by, and are the responsibility of, our management.

In compiling the Projections, our management took into account historical performance, combined with estimates regarding revenues, operating income, expense and capital spending. Although the Projections are presented with numerical specificity, they reflect numerous assumptions and estimates as to future events made by our management that our management believed were reasonable at the time the Projections were prepared. Such assumptions included, but were not limited to, the following: limited revenue growth of 5% annually for RFPD's business due to limited forecasting visibility and a belief that RFPD's recent growth in Asia could not be maintained at the same rate; continued declines in product margin of 0.25% annually due to pressure from the global competitors as well as local competitors in Asia, plus continued increases in the percentage of RFPD's business in Asia, which has historically been at lower margins; and growth of selling, general and administrative (SG&A) expenses at a small yet consistent rate of 4% annually. However, this information is not fact and should not be relied upon as being necessarily indicative of actual future results. Factors such as industry performance, the market for RFPD's existing and new products and services, and general business, economic, regulatory, market and financial conditions, all of which are difficult to predict and beyond the control of our management, may cause the Projections or the underlying assumptions not to be reflective of actual future results. In addition, the Projections do not take into account any circumstances or events occurring after the date that they were prepared and, accordingly, do not give effect to the Transaction or any changes to RFPD's operations or strategy that may be implemented after the Transaction is completed. Accordingly, there can be no assurance that the projections will be realized, and actual results may be materially greater or less than those contained in the projections. The inclusion of this information should not be regarded as an indication that Morgan Joseph or any other recipient of this information considered, or now considers, to be predictive of actual future results.

Readers of this proxy statement are cautioned not to place undue reliance on the specific portions of the Projections set forth below. No one has made or makes any representation to any stockholder or anyone else regarding the information included in the Projections. For the foregoing reasons, as well as the bases and assumptions on which the Projections were compiled, the inclusion of specific portions of the Projections in this proxy statement should not be regarded as an indication that such Projections will be an accurate prediction of future events, and they should not be relied on as such. We do not intend to update or otherwise revise the Projections to reflect circumstances existing after the date

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when made or to reflect the occurrence of future events even in the event that any of the assumptions underlying the Projections are shown to be in error.

(\$ in thousands)	Projected Fiscal Year Ended,				
	2011P	2012P	2013P	2014P	2015P
Revenue	\$ 373,500	\$ 392,175	\$ 411,784	\$ 432,373	\$ 453,992
Cost of Goods Sold	292,076	307,660	324,073	341,357	359,650
Gross Profit	81,424	84,515	87,711	91,016	94,431
SBU SG&A	39,225	40,794	42,426	44,123	45,888
Direct Operating Contribution	42,199	43,721	45,285	46,893	48,544
SBU Level D&A	172	175	179	183	186
SBU EBITDA Contribution	42,371	43,896	45,464	47,075	48,730
<i>Extraordinary Items</i>					
Severance Expenses					
Restructuring Expenses					
Inventory Obsolescence Charge					
Total Extraordinary Items					
<b>SBU EBITDA Contribution, adjusted</b>	<b>42,371</b>	<b>43,896</b>	<b>45,464</b>	<b>47,075</b>	<b>48,730</b>
Corporate SG&A Allocation	22,250	22,918	23,605	24,313	25,043
Corporate D&A Allocation	2,171	2,047	2,133	2,221	2,312
<b>Total EBITDA After Corporate</b>	<b>\$ 22,292</b>	<b>\$ 23,026</b>	<b>\$ 23,992</b>	<b>\$ 24,984</b>	<b>\$ 25,999</b>

**Margin and Growth Rates**

	Projected Fiscal Year Ended,				
	2011P	2012P	2013P	2014P	2015P
<i>Margins</i>					
Gross margin, adjusted	21.8%	21.6%	21.3%	21.1%	20.8%
Direct Operating Contribution, adjusted	11.3%	11.1%	11.0%	10.8%	10.7%
SBUSG&A, adjusted	10.5%	10.4%	10.3%	10.2%	10.1%
<b>Total EBITDA, adjusted</b>	<b>6.0%</b>	<b>5.9%</b>	<b>5.8%</b>	<b>5.8%</b>	<b>5.7%</b>
<i>Growth Rates (y/y)</i>					
Revenue Growth	4.8%	5.0%	5.0%	5.0%	5.0%
Direct Operating Contribution, adjusted	6.6%	3.6%	3.6%	3.5%	3.5%
SBUSG&A, adjusted	4.4%	4.0%	4.0%	4.0%	4.0%
<b>Total EBITDA, adjusted</b>	<b>12.2%</b>	<b>3.3%</b>	<b>4.2%</b>	<b>4.1%</b>	<b>4.1%</b>

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**MARKET PRICE OF COMMON STOCK**

Our common stock is quoted on The NASDAQ Global Market under the symbol "RELL". The following table sets forth the high and low sales prices for our common stock for the periods indicated as reported by The NASDAQ Global Market:

	<b>Low</b>	<b>High</b>
<b>2009</b>		
First Quarter	\$ 4.40	\$ 7.00