

RICHARDSON ELECTRONICS LTD/DE
Form 10-K
July 22, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

(Mark One)

x FOR ANNUAL REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 29, 2010

OR

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

For the transition period from _____ to _____

Commission File Number: 0-12906

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-2096643
(I.R.S. Employer
Identification No.)

40W267 Keslinger Road, P.O. Box 393,

LaFox, Illinois 60147-0393

(Address of principal executive offices)

Registrant's telephone number, including area code:(630) 208-2200

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class
Name of each exchange of which registered
Securities registered pursuant to Section 12(g) of the Act: None
Common stock, \$0.05 Par Value
NASDAQ Global Market

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of November 28, 2009, was approximately \$85.2 million.

As of July 19, 2010, there were outstanding 14,675,796 shares of Common Stock, \$.05 par value and 3,048,258 shares of Class B Common Stock, \$.05 par value, which are convertible into Common Stock of the registrant on a one-for-one basis.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held October 5, 2010, which will be filed pursuant to Regulation 14A, are incorporated by reference in Part III of this report. Except as specifically incorporated herein by reference, the above mentioned Proxy Statement is not deemed filed as part of this report.

Table of Contents

TABLE OF CONTENTS

| | Page |
|---|-------------|
| Part I | |
| Item 1. <u>Business</u> | 3 |
| Item 1A. <u>Risk Factors</u> | 6 |
| Item 1B. <u>Unresolved Staff Comments</u> | 10 |
| Item 2. <u>Properties</u> | 10 |
| Item 3. <u>Legal Proceedings</u> | 11 |
| Part II | |
| Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 12 |
| Item 6. <u>Selected Financial Data</u> | 12 |
| Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 13 |
| Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 26 |
| Item 8. <u>Financial Statements and Supplementary Data</u> | 27 |
| Item 9A. <u>Controls and Procedures</u> | 57 |
| Item 9B. <u>Other Information</u> | 58 |
| Part III | |
| Item 10. <u>Directors, Executive Officers and Corporate Governance</u> | 59 |
| Item 11. <u>Executive Compensation</u> | 59 |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | 59 |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u> | 59 |
| Item 14. <u>Principal Accountant Fees and Services</u> | 59 |
| Part IV | |
| Item 15. <u>Exhibits and Financial Statement Schedules</u> | 60 |
| <u>Signatures</u> | 61 |
| <u>Exhibit Index</u> | 62 |

Table of Contents

Forward Looking Statements

Certain statements in this report may constitute forward-looking statements within the meaning of 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. Factors that could cause or contribute to such differences or that might otherwise impact the business include the risk factors set forth in Item 1A of this Form 10-K. 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.

PART I

ITEM 1. Business

General

Richardson Electronics, Ltd. (we , us , and our) was originally incorporated in the state of Illinois in 1947 and is currently incorporated in the state of Delaware. We are a global provider of engineered solutions and a global distributor of electronic components to the radio frequency (RF), wireless and power management, electron device, and display systems markets with total sales in fiscal 2010 of \$491.8 million. 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. Design-in support includes component modifications or the identification of lower-cost product alternatives or complementary products.

Our products include RF and microwave components, power semiconductors, electron tubes, microwave generators, and visual technology solutions. These products are used to control, switch or amplify electrical power signals, or are used as display devices in a variety of industrial, commercial, and communication applications.

Our fiscal year 2010 began on May 31, 2009, and ended on May 29, 2010. Unless otherwise noted, all references in this document to a particular year shall mean our fiscal year.

We evaluate our business based on our three operating segments, which we define as follows:

RF, Wireless & Power Division (RFPD) serves the global RF and wireless communications market, including infrastructure and wireless networks, and the power management and alternative energy markets.

Electron Device Group (EDG) provides engineered solutions and distributes electronic components to customers in diverse markets including the steel, automotive, textile, plastics, semiconductor manufacturing, and broadcast industries.

Canvys provides global integrated display products, systems, and digital signage solutions serving the financial, corporate enterprise, healthcare, and industrial markets.

We currently have operations in the following major geographic regions:

North America;

Asia/Pacific;

Europe; and

Latin America.

Table of Contents

During the first quarter of fiscal 2009, we moved our Cathode Ray Tube (CRT) product line from our Canvys segment to our EDG segment. Prior period segment information has been restated to reflect this change. During the second quarter of fiscal 2009, we changed the name of our Display Systems Group (DSG) to Canvys.

Selected financial data attributable to each segment and geographic region for fiscal 2010, 2009, and 2008 is set forth in Note 11 Segment and Geographic Data of the notes to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

RF, Wireless & Power Division

RFPD serves the global RF and wireless communications market, including infrastructure and wireless networks, and the power management and alternative energy markets. Our team of RF and wireless engineers assist customers in designing circuits, selecting cost-effective components, planning reliable and timely supply, prototype testing, and assembly. This team offers its customers and suppliers a broad range of engineering and technical support including the design-in of RF, wireless and power components and the development of engineered solutions for their support system requirements. Our team of energy, power, and interconnect engineers design solutions for applications such as motor speed controls, industrial heating, laser technology, semiconductor manufacturing equipment, radar, and welding. This team builds on its expertise in power management and alternative energy technology to provide engineered solutions to meet its customers specifications using components from industry-leading suppliers.

We are supported by our strong collaboration with leading suppliers. We are able to maintain strong relationships with our suppliers and attract new suppliers with our ability to supply them with worldwide demand forecasts for their existing products as well as those in development. Our internal systems are able to capture forecasted product demand by potential design opportunity based on dialogue between our sales team and our customers. In turn, we share this information with our suppliers to help them forecast demand and plan for product life cycles.

We have global distribution agreements with leading suppliers such as Anadigics, Advanced Power Technologies, Aavid, Anaren, ATC, Cornell-Dubilier, Freescale, Huber+Suhner, M/A-Com, Maxwell, Infineon, Peregrine, Vishay, Wakefield, and Triquint. In addition, we have relationships with many other niche RF and wireless, power conversion, and alternative energy suppliers, giving us a comprehensive product offering.

As the demand for wireless communication increases worldwide, the need for high-speed data transmission will require major investments in both system upgrades and new systems to handle broader bandwidth. In addition, the need and demand for power management and alternative energy applications have greatly increased sales demand. Wireless and power conversion and alternative energy products for niche applications, which require engineered solutions using the latest RF technology and electronic components, include:

Wireless Networks Wireless technologies used for short-range interconnection, both for the home or office or last mile solutions from a neighborhood to the home.

Wireless Infrastructure Equipment required for the transmission of RF signals.

Power Conversion Alternative energy, high power applications such as power suppliers, welding, motor controls, and converting AC/DC and DC/AC.

Electron Device Group

EDG provides engineered solutions and distributes electronic components to customers in diverse markets including the steel, automotive, textile, plastics, semiconductor manufacturing, and broadcast industries. Our team of engineers design solutions for applications such as industrial heating, laser technology, semiconductor manufacturing equipment, radar, and welding. This group builds on our expertise in high power/ high frequency vacuum devices to provide engineered solutions to fit our customers specifications using competitive components from industry-leading vendors.

Table of Contents

We serve the industrial market's need for both vacuum tube and semiconductor manufacturing equipment technologies. We provide replacement products for systems using electron tubes as well as offer design and assembly services for new systems employing semiconductor manufacturing equipment. Our customers' demand for higher power and shorter processing time increases the need for tube-based systems.

We represent leading manufacturers of electron tubes and semiconductor manufacturing equipment used in industrial power applications. Among the suppliers we support are Amperex, CPI, Draloric, General Electric, Hitachi, Jennings, 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 solutions to match the needs of our customers. 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.

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 (PACS).

The industrial OEM market offers a wide range of custom based project opportunities that complement our ability to provide value-add 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 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.

Employees

As of May 29, 2010, we employed 744 individuals, of which 728 were employed on a full-time basis and 16 were employed on a part-time basis. Of these, 384 were located in the United States and 360 were located internationally. The worldwide employee base included 432 in sales and product management, 55 in distribution support, 197 in administrative positions, and 60 in value-add and product manufacturing. All of our employees are non-union, and we consider our relationships with our employees to be good.

Website Access to SEC Reports

We maintain an Internet website at www.rell.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 are accessible through our website, free of charge, as soon as reasonably practicable after these reports are filed electronically with the Securities and Exchange Commission. To access these reports, go to our website at www.rell.com. The foregoing information regarding our website is provided for convenience and the content of our website is not deemed to be incorporated by reference in this report filed with the Securities and Exchange Commission.

Table of Contents

ITEM 1A. Risk Factors

Investors should consider carefully the following risk factors in addition to the other information included and incorporated by reference in this Annual Report on Form 10-K. While we believe we have identified the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our results of operations.

Current worldwide economic conditions may adversely affect our business, operating results, and financial condition.

As widely reported, severe economic challenges throughout the world, including most of the markets we serve, have greatly diminished liquidity and credit availability, and led to declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. We cannot predict the duration of the downturn or the timing or strength of a subsequent economic recovery. Global economic conditions could further impact demand for our products and our financial performance. There can be no assurance that there will not be further deterioration in the global markets and decreased consumer confidence in economic conditions. Further economic decline and uncertainty may lead to further turmoil in customer spending and may cause certain customers to cancel or delay placing orders.

Our revenue decreased by \$4.6 million to \$491.8 million during the fiscal year ended May 29, 2010. We plan our operating expenses based primarily on forecasted revenue levels. These operating expenses are relatively fixed in the short-term. The economic uncertainty makes it difficult for us to accurately predict future order activity and affects our ability to effectively manage our operating expenses and inventory levels and identify risks that may affect our business. A further shortfall in revenue could lead to financial and operating results being below expectations because we may not be able to manage inventory effectively or reduce operating expenses in response to the shortfall in revenue.

We must continue to reduce our costs in order to compete effectively.

We have taken, and continue to take, actions intended to reduce costs and increase productivity. Our ability to complete these actions and the impact of such actions on our business may be limited by a variety of factors. The cost-reduction actions, in turn, could have the effect of reducing our talent pool and available resources and, consequently, could have long-term effects on our business by affecting our ability to respond to customers and limiting our ability to hire and retain key personnel. These circumstances could negatively affect our financial performance, whether or not the cost reduction initiatives prove successful, and, as a result, adversely affect our stock price.

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

We maintain significant inventories in an effort to ensure that customers have a reliable source of supply. The market for many of our products is characterized by rapid change as a result of the development of new technologies, evolving industry standards, and frequent new product introductions by some of our customers. We do not have many long-term supply contracts with our customers. Generally, our product sales are made on a purchase order basis, which allows our customers to reduce or discontinue their purchases. If we fail to anticipate the changing needs of our customers and accurately forecast our customer demands, our customers may not continue to place orders with us, and we may accumulate significant inventories of products which we will be unable to sell or return to our vendors. This may result in a significant decline in the value of our inventory.

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

We face many competitors, both global and local, in the markets we serve. Our overall competitive position depends on a number of factors including price, engineering capability, vendor representation, product diversity, and the level of customer service. Our competition includes hundreds of electronic component distributors of

Table of Contents

various sizes, locations, and market focuses, as well as original equipment manufacturers. Some of our competitors have greater resources and broader name recognition than we do. As a result, these competitors may be able to better withstand changing conditions within our markets and throughout the economy as a whole. Increased competition may result in price reductions, reduced margins, or a loss of market share, any of which could materially and adversely affect our business, operating results, and financial condition.

Failure to maintain our relationships with key suppliers could adversely affect our sales.

We have entered into distribution agreements or other purchase agreements with most of our suppliers. These agreements are typically non-exclusive and may be cancelled by either party on short notice. Sales of products from one of our suppliers, M/A-Com Technology Solutions, accounted for 13.7% of our consolidated sales in fiscal 2010. To the extent that our significant suppliers reduce the amount of products they sell through distribution, or are unwilling to continue to do business with us, or are unable to continue to meet or significantly alter their obligations, our business could be materially adversely affected. In addition, to the extent that our suppliers modify the terms of their contracts with us, or extend lead times, limit supplies due to capacity constraints, or other factors, there could be a material adverse effect on our business.

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

Because we sell our products worldwide, our business is subject to risks associated with doing business internationally. During fiscal year 2010, 2009, and 2008, approximately 66%, 65% and 59%, respectively, of our sales came from our operations outside the United States. We anticipate that revenue from international operations will continue to represent a majority of our total revenue. In addition, many of our employees, suppliers, and warehouse facilities are located outside the United States. Accordingly, our future results could be harmed by a variety of factors including:

interruption to transportation flows for delivery of products to us and to our customers;

changes in foreign currency exchange rates;

changes in a specific country's or region's political or economic conditions;

trade protection measures and import or export licensing requirements;

negative consequences from changes in tax laws;

difficulty in staffing and managing global operations;

differing labor regulations;

difficulty collecting accounts receivable;

unexpected changes in regulatory requirements; and

geopolitical turmoil, including terrorism or war.

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While the impact of these factors is difficult to predict, any one or more of these factors could adversely affect our operations and financial results in the future.

We may not have adequate or cost-effective liquidity or capital resources.

We need cash for general corporate purposes, such as funding our ongoing working capital and capital expenditure needs. Our ability to satisfy our cash needs depends on our ability to generate cash from operations and to access the financial markets, both of which are subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control.

Table of Contents

We may in the future need to access the financial markets to satisfy our cash needs. However, external financing may not be available on acceptable terms or at all. In addition, under the terms of any external financing, we may incur higher than expected financing expenses and become subject to additional restrictions and covenants. An additional increase in our financing costs or a breach of our debt instrument covenant could have a material adverse effect on us.

Under our credit agreement, we are required to maintain a specific leverage ratio. If we fail to meet these financial ratios and tests, we may be unable to continue to use our credit agreement. If we could not continue to use the credit agreement, we may not have sufficient cash available for general corporate needs.

Our products may be found to be defective and, as a result, warranty and/or product liability claims may be asserted against us, which may have a material adverse effect on us.

We sell many of our components at prices that are significantly lower than the cost of the equipment or other goods in which they are incorporated. Since a defect or failure in a product could give rise to failures in the end products that incorporate them, we may face claims for damages that are disproportionate to the revenues and profits we receive from the components involved in the claims. While we typically have provisions in our agreements with our suppliers that hold the supplier accountable for defective products, and we and our suppliers generally exclude consequential damages in our standard terms and conditions, our ability to avoid such liabilities may be limited as a result of various factors, including the inability to exclude such damages due to the laws of some of the countries where we do business. Our business could be materially adversely affected as a result of a significant quality or performance issue in the components sold by us if we are required to pay for the damages that result. Although we have product liability insurance, such insurance is limited in coverage and amount.

A single stockholder has voting control over us.

As of July 19, 2010, Edward J. Richardson, our Chairman, Chief Executive Officer and President, beneficially owned approximately 99% of the outstanding shares of our Class B common stock, representing approximately 67% of the voting power of the outstanding common stock. This share ownership permits Mr. Richardson to exert control over the outcome of most stockholder votes, including votes concerning the election of directors, by-law amendments, possible mergers, corporate control contests, and other significant corporate transactions.

Foreign currency exchange rates may adversely affect our results.

Since a significant portion of our business is conducted outside the U.S., we face exposure to movements in non-U.S. currency exchange rates, which may harm our results of operations. Price increases caused by currency exchange rate fluctuations may make our products less competitive or have an adverse effect on our margins. Our international revenues and expenses generally are derived from sales and operations in currencies other than the U.S. dollar. Accordingly, when the U.S. dollar strengthens in relation to the currencies of the countries in which we sell our products, our U.S. dollar reported net revenue and income will decrease. We currently do not engage in any currency hedging transactions. We cannot predict whether foreign currency exchange risks inherent in doing business in foreign countries will have a material adverse effect on our operations and financial results in the future.

Substantial defaults by our customers on our accounts receivable or the loss of significant customers could have a significant negative impact on our business.

A significant portion of our working capital consists of accounts receivable from customers. If customers responsible for a significant amount of accounts receivable were to become insolvent or otherwise unable to pay for products and services, or were to become unwilling or unable to make payments in a timely manner, our business, results of operations, financial condition, or liquidity could be adversely affected.

Table of Contents

Future acquisitions are subject to integration and other risks.

We anticipate that we may, from time to time, selectively acquire additional businesses or assets. Acquisitions are accompanied by risks, such as potential exposure to unknown liabilities of acquired companies and the possible loss of key employees and customers of the acquired business. In addition, we may not obtain the expected benefits or cost savings from acquisitions. Acquisitions are subject to risks associated with financing the acquisition and integrating the operations and personnel of the acquired businesses or assets. If any of these risks materialize, they may result in disruptions to our business and the diversion of management time and attention, which could increase the costs of operating our existing or acquired businesses or negate the expected benefits of the acquisitions.

If we fail to maintain an effective system of internal controls or discover material weaknesses in our internal controls over financial reporting, we may not be able to detect fraud or report our financial results accurately or timely, which could have a material adverse effect on our business.

An effective internal control environment is necessary for us to produce reliable financial reports and is an important part of our effort to prevent financial fraud. We are required to periodically evaluate the effectiveness of the design and operation of our internal controls over financial reporting. Based on these evaluations, we may conclude that enhancements, modifications or changes to internal controls are necessary or desirable. While management evaluates the effectiveness of our internal controls on a regular basis, these controls may not always be effective. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate business risks.

If we fail to maintain an effective system of internal controls, or if management or our independent registered public accounting firm discovers material weaknesses in our internal controls, we may be unable to produce reliable financial reports or prevent fraud, which could have a material adverse effect on our business. In addition, we may be subject to sanctions or investigation by regulatory authorities, such as the Securities and Exchange Commission or NASDAQ Global Market. Any such actions could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements, which could cause the market price of our common stock to decline or limit our access to capital.

We are a defendant in a patent infringement lawsuit which could have a material adverse effect on our business.

In June 2010, Activision TV, Inc. and Locke International Trust filed a patent infringement complaint in the United States District Court for the Northern District of Illinois against us, NEC Display Solutions of America, Inc. and Tek Panel, Inc. The complaint alleges, among other things, that All-in-One display systems sold by our Canvys division, when used in conjunction with the Canvys Private Network offered by Canvys, infringes two patents owned by Locke International Trust. The complaint seeks monetary damages, injunctive relief, costs and attorneys fees. We dispute the allegations of wrongdoing and intend to vigorously defend ourselves in this matter.

This lawsuit, with or without merit, may divert our management's attention, and we may incur significant expenses in our defense. In addition, we may be required to pay damage awards or settlements, become subject to injunctions or other equitable remedies, or determine to abandon certain lines of business, that may cause a material adverse effect on our results of operations, financial position, and cash flows.

Our business is dependent upon the availability of our information systems. The failure of our information systems for any extended period of time could adversely affect our business.

We rely on our information systems to process, analyze, and manage data to facilitate the purchase and distribution of our products. We also rely on our systems to receive, process, bill, and ship orders on a timely basis. If our information systems are interrupted, damaged, or fail for any extended period of time, it could have an adverse impact on our results of operations.

Table of Contents**ITEM 1B. Unresolved Staff Comments**

None.

ITEM 2. Properties

We own three facilities and lease 52 facilities. We own our corporate facility and largest distribution center, which is located on approximately 96 acres in LaFox, Illinois and consists of approximately 242,000 square feet of manufacturing, warehouse, and office space. We maintain geographically diverse facilities because we believe this will limit market risk and exchange rate exposure. We consider our properties to be well maintained, in sound condition and repair, and adequate for our present needs. The extent of utilization varies from property to property and from time to time during the year.

Our principal facilities, their primary use, and segments served are as follows:

| Location | Leased or | | Segment |
|----------------------------|-----------|----------------------------------|-------------------|
| | Owned | Use | |
| LaFox, Illinois * | Owned | Sales/Distribution/Manufacturing | RFPD, EDG, Canvys |
| Sao Paulo, Brazil | Leased | Sales/Distribution | RFPD, EDG |
| Brampton, Canada | Leased | Sales | RFPD |
| Shanghai, China | Leased | Sales/Distribution | RFPD, EDG |
| Beijing, China | Leased | Sales | RFPD, EDG |
| Shenzhen, China | Leased | Sales/Distribution | RFPD, EDG |
| Colombes, France | Leased | Sales | RFPD, EDG, Canvys |
| Puchheim, Germany | Leased | Sales | RFPD, EDG |
| Donaueschingen, Germany | Leased | Sales/Distribution/Manufacturing | Canvys |
| Hong Kong, Hong Kong | Leased | Sales/Distribution | RFPD |
| Noida, India | Leased | Sales | RFPD |
| Ra'anana, Israel | Leased | Sales | RFPD, EDG |
| Florence, Italy | Owned | Sales | RFPD, EDG |
| Tokyo, Japan | Leased | Sales | RFPD, EDG |
| Seoul, Korea | Leased | Sales | RFPD, EDG |
| Selangor, Malaysia | Leased | Sales | RFPD, EDG |
| Mexico City, Mexico | Leased | Sales | RFPD, EDG |
| Singapore, Singapore | Leased | Sales/ Distribution | RFPD, EDG |
| Madrid, Spain | Owned | Sales | RFPD, EDG |
| Jarfalla, Sweden | Leased | Sales | RFPD, EDG |
| Taipei, Taiwan | Leased | Sales | RFPD, EDG |
| Bangkok, Thailand | Leased | Sales | RFPD, EDG |
| Lincoln, United Kingdom | Leased | Sales | RFPD, EDG, Canvys |
| Slough, United Kingdom | Leased | Sales | RFPD |
| San Jose, California | Leased | Sales | RFPD |
| Woodland Hills, California | Leased | Sales | EDG |
| Marlborough, Massachusetts | Leased | Sales/Distribution/Manufacturing | Canvys |
| Plymouth, Minnesota | Leased | Sales/Distribution | Canvys |
| Ronkonkoma, New York | Leased | Sales | RFPD, EDG |
| Cedars, Pennsylvania | Leased | Sales | RFPD |

* LaFox, Illinois is also the location of our corporate headquarters.

Table of Contents

ITEM 3. Legal Proceedings

We are involved in legal actions that arise in the ordinary course of business. It is the opinion of management that the resolution of any current pending litigation will not have a material adverse effect on our financial position or results of operations.

In June 2010, Activision TV, Inc. and Locke International Trust filed a complaint against us for patent infringement in the United States District Court for the Northern District of Illinois. The complaint alleges, among other things, that All-in-One display systems sold by our Canvys division, when used in conjunction with the Canvys Private Network offered by Canvys, infringes two patents owned by Locke International Trust purporting to cover display systems for generating at a remote source a static non-continuous display in the form of individual fixed images for presentation on a display sign at a generally fixed location and which is electronically transmitted from the remote source to the display sign (U.S. Patent Nos. 6,215,411 and 6,384,736). The complaint seeks monetary damages, injunctive relief, costs and attorneys fees. We dispute the allegations of wrongdoing and intend to vigorously defend ourselves in this matter.

Table of Contents**PART II****ITEM 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***Unregistered Sales of Equity Securities*

None.

Dividends

Our Board of Directors paid a quarterly dividend of \$0.02 per common share and \$0.018 per Class B common share during both fiscal 2010 and fiscal 2009. Annual dividend payments for both fiscal 2010 and fiscal 2009 were approximately \$1.4 million. All future payments of dividends are at the discretion of the Board of Directors. Dividend payments will depend on earnings, capital requirements, operating conditions, and such other factors that the Board may deem relevant.

Common Stock Information

Our common stock is traded on The NASDAQ Global Market (NASDAQ) under the trading symbol (RELL). There is no established public trading market for our Class B common stock. As of July 19, 2010, there were approximately 891 stockholders of record for the common stock and approximately 18 stockholders of record for the Class B common stock. The following table sets forth, for the periods indicated, the high and low closing sales price per share of RELL common stock as reported on the NASDAQ.

| Fiscal Quarter | 2010 | | 2009 | |
|----------------|----------|---------|---------|---------|
| | High | Low | High | Low |
| First | \$ 4.06 | \$ 2.84 | \$ 7.00 | \$ 4.40 |
| Second | \$ 6.46 | \$ 3.80 | \$ 6.82 | \$ 2.64 |
| Third | \$ 8.43 | \$ 5.31 | \$ 4.37 | \$ 2.56 |
| Fourth | \$ 12.35 | \$ 7.43 | \$ 4.21 | \$ 2.47 |

Performance Graph

As a smaller reporting company, this information is not required.

ITEM 6. Selected Financial Data

As a smaller reporting company, this information is not required.

Table of Contents

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to assist the reader in better understanding our business, results of operations, financial condition, changes in financial condition, critical accounting policies and estimates, and significant developments. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes thereto appearing elsewhere herein. This section is organized as follows:

Business Overview

Results of Continuing Operations an analysis and comparison of our consolidated results of operations for the fiscal year ended May 29, 2010, May 30, 2009, and May 31, 2008, as reflected in our consolidated statements of operations.

Liquidity, Financial Position, and Capital Resources a discussion of our primary sources and uses of cash for the fiscal year ended May 29, 2010, and May 30, 2009, and a discussion of selected changes in our financial position.

Business Overview

Richardson Electronics, Ltd. (we , us , and our) was originally incorporated in the state of Illinois in 1947 and is currently incorporated in the state of Delaware. We are a global provider of engineered solutions and a global distributor of electronic components to the radio frequency (RF), wireless and power management, electron device, and display systems markets with total sales in fiscal 2010 of \$491.8 million. 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. Design-in support includes component modifications or the identification of lower-cost product alternatives or complementary products.

Our products include RF and microwave components, power semiconductors, electron tubes, microwave generators, and visual technology solutions. These products are used to control, switch or amplify electrical power signals, or are used as display devices in a variety of industrial, commercial, and communication applications.

We evaluate our business based on our three operating segments, which we define as follows:

RF, Wireless & Power Division (RFPD) serves the global RF and wireless communications market, including infrastructure and wireless networks, and the power management and alternative energy markets.

Electron Device Group (EDG) provides engineered solutions and distributes electronic components to customers in diverse markets including the steel, automotive, textile, plastics, semiconductor manufacturing, and broadcast industries.

Canvys provides global integrated display products, systems and digital signage solutions serving financial, corporate enterprise, healthcare, and industrial markets.

We currently have operations in the following major geographic regions:

North America;

Asia/Pacific;

Europe; and

Latin America.

Table of Contents

During the first quarter of fiscal 2009, we moved our Cathode Ray Tube (CRT) product line from our Canvys segment to our EDG segment. Prior period segment information has been restated to reflect this change. During the second quarter of fiscal 2009, we changed the name our Display Systems Group (DSG) to Canvys.

Results of Continuing Operations**Overview Fiscal Year Ended May 29, 2010**

Net sales for fiscal 2010 were \$491.8 million, down 0.9%, compared to net sales of \$496.4 million during fiscal 2009.

Gross margin as a percentage of net sales increased to 24.0% during fiscal 2010, compared to 22.1% during fiscal 2009. The percentage of 22.1% in fiscal 2009 includes \$9.5 million of expense related to inventory write-downs.

Selling, general, and administrative expenses decreased to \$95.8 million during fiscal 2010, compared to \$110.4 million during fiscal 2009.

Operating income during fiscal 2010 was \$22.2 million, compared to an operating loss of \$8.1 million during fiscal 2009.

Income from continuing operations during fiscal 2010 was \$17.3 million, or \$0.96 per diluted common share, versus a net loss of \$12.2 million, or \$0.69 per diluted common share, during fiscal 2009.

Net Sales and Gross Profit Analysis

During fiscal 2010 consolidated net sales decreased 0.9% compared to fiscal 2009, reflecting a 0.4% sales growth in RFPD and a 5.3% sales growth in EDG, offset by a 17.3% decline in sales for Canvys. Consolidated net sales during fiscal 2009 decreased 12.7% compared to fiscal 2008, reflecting a decline in all three business units due to the deterioration of economic conditions.

Net sales by business unit and percent change for fiscal 2010, 2009, and 2008 were as follows (*in thousands*):

| | Fiscal Year 2010 | Fiscal Year 2009 | Fiscal Year 2008 | FY10 vs FY09 % Change | FY09 vs FY08 % Change |
|------------------|---------------------|---------------------|---------------------|--------------------------|--------------------------|
| Net Sales | | | | | |
| RFPD | \$ 356,475 | \$ 355,189 | \$ 376,203 | 0.4% | (5.6%) |
| EDG | 86,541 | 82,168 | 108,272 | 5.3% | (24.1%) |
| Canvys | 48,8 | | | | |