

RICHARDSON ELECTRONICS LTD/DE
Form S-1
December 08, 2005
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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 8, 2005

Registration Statement No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

Registration Statement

Under

the Securities Act of 1933

RICHARDSON ELECTRONICS, LTD.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

5065
(Primary Standard Industrial
Classification Code Number)

36-2096643
(I.R.S. Employer
Identification Number)

40W267 Keslinger Road

P.O. Box 393

LaFox, Illinois 60147-0393

(630) 208-2200

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

William G. Seils, Esq.

Senior Vice President, General Counsel & Secretary

Richardson Electronics, Ltd.

P.O. Box 393

LaFox, Illinois 60147-0393

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(630) 208-2200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Title of each class of securities to be registered	Amount to be registered	Proposed maximum price per unit(1)	Proposed maximum aggregate offering price(1)(2)	Amount of registration fee
8% Convertible Senior Subordinated Notes due 2011(3)	\$ 25,000,000	100%	\$ 25,000,000	\$ 2,675.00
Common Stock, \$.05 par value	2,424,830(3)			

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- (1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457 under the Securities Act of 1933 and based on 100% of the aggregate principal amount of the notes, exclusive of accrued interest and dividends, if any.
- (2) Represents the aggregate initial offering price of all securities sold. Amounts represent United States Dollars or the equivalent thereof in foreign currencies.
- (3) Reflects the maximum number of shares of common stock initially issuable upon conversion of the notes being registered hereunder, subject to anti-dilution adjustments. No separate consideration will be received for the Common Stock issuable upon such conversion.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 8, 2005

\$25,000,000

8% Convertible Senior Subordinated Notes due 2011

This prospectus covers resales by holders of our 8% Convertible Senior Subordinated Notes due 2011 and shares of common stock into which the notes are convertible. We will not receive any proceeds from the resale of the notes or the shares of common stock hereunder. The notes are convertible, at holders' option, prior to the maturity date into shares of our common stock.

The notes may be converted into shares of our common stock at an initial conversion price of \$10.31 per share of common stock. The conversion price is subject to adjustment if certain events occur, as described in Description of the Notes. Upon conversion of a note, the holder will receive only shares of our common stock and a cash payment to account for any fractional share. Holders will not receive any cash payment for interest accrued and unpaid to the conversion date except under the limited circumstances. In certain situations, if the holder elects to convert the notes following certain changes of control in which 10% or more of the consideration for our common stock is not securities traded on a U.S. national securities exchange or The Nasdaq National Market, we will increase the number of shares of common stock we issue for each note converted. At any time prior to maturity, we may elect to automatically convert the notes if the last reported sale price of our common stock has been at least 150% of the conversion price for at least 20 trading days during any 30 trading day period, subject to certain conditions. If we elect to automatically convert your notes prior to December 20, 2008, we will pay additional interest in cash or, at our option, in common stock, equal to three full years of interest on the converted notes, less any interest actually provided for or paid.

The notes bear interest at 8% per year. Interest on the notes will accrue from November 21, 2005 or from the most recent date to which interest has been paid or duly provided for and will be payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2006. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

On or after December 20, 2008, we may redeem the notes, in whole or in part, at any time at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, if any, to, but excluding the date of redemption. We may be required to repurchase the notes upon a change of control, upon our common stock not being authorized for quotation or listing on The Nasdaq National Market, The Nasdaq Capital Market, The New York Stock Exchange or the American Stock Exchange or upon our incurrence of certain types of senior indebtedness or indebtedness that ranks equally and ratably with the notes.

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The notes mature on June 15, 2011 unless earlier converted, redeemed, or repurchased and will be issued in denominations of \$1,000 and integral multiples thereof. The notes were initially issued in the aggregate principal amount of \$25,000,000. The notes are subordinated to our senior indebtedness, including amounts borrowed under our amended and restated credit agreement and future indebtedness that is not expressly subordinate to the notes. In addition, the notes are structurally subordinate to any indebtedness of our subsidiaries, including trade payables.

Prior to this offering, the notes were eligible for transfer on The PortalSM Market of The Nasdaq Stock Market, Inc. The notes sold by means of this prospectus are not expected to remain eligible for transfer on The PortalSM Market. We do not intend to list the notes for transfer on any national securities exchange or The Nasdaq National Market. Our common stock is quoted on The Nasdaq National Market under the symbol RELLE. On December 7, 2005, the last reported sale price of our common stock was \$7.31 per share.

Investing in the notes and the underlying shares of common stock involves risks. Before purchasing notes, see the information under Risk Factors beginning on page 14 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is December 8, 2005.

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You should rely only on the information contained in this prospectus. Neither we nor the holders have authorized anyone else to provide you with additional or different information. This prospectus is not an offer to sell or a solicitation of an offer to buy securities in any circumstances in which the offer or solicitation is unlawful. You should not interpret the delivery of this prospectus, or any sale of securities, as an indication that there has been no change in our affairs since the date of this prospectus. You should also be aware that information in this prospectus may change after this date.

Additionally, we may suspend the holder's use of the prospectus for a reasonable period not to exceed two periods of more than 30 days in any 12-month period, or a period not to exceed an aggregate of 60 days in any 12-month period, if we, in our reasonable judgment, believe that the registration statement contains an untrue statement of a material fact or omits to state a material fact required to be stated herein or necessary to make the statements herein not misleading. Each holder, by its acceptance of a new note, agrees to hold any communication by us regarding suspension of the holder's use of the prospectus in confidence. This offering is subject to withdrawal or cancellation without notice.

When we use the terms we, us, our, or the Company in this prospectus, we mean Richardson Electronics, Ltd. and its subsidiaries, on a consolidated basis, unless we state or the context implies otherwise. When we use the term holders we mean the holders of our 8% Convertible Senior Subordinated Notes due June 15, 2011 offered for sale from time to time pursuant to this prospectus.

References in this prospectus to our common stock mean our common stock, \$.05 par value per share; references to our Class B common stock mean our Class B common stock, \$.05 par value per share; references to the notes mean our 8% Convertible Senior Subordinated Notes due June 15, 2011; references to the 7/4% debentures mean our 7/4% Convertible Subordinated Debentures due December 15, 2006; references to the 8/4% debentures mean our 8/4% Convertible Senior Subordinated Debentures due June 15, 2006; and references to the 7/4% notes mean

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our 7³/₄% Convertible Senior Subordinated Notes due December 15, 2011.

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PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus and may not contain all of the information that is important to you. You should read carefully the entire prospectus, including the consolidated financial statements and related notes and other financial data, before making an investment decision.

Our Company

We are a global provider of engineered solutions and a distributor of electronic components to the radio frequency (RF), wireless and power conversion, electron device, security, and display systems markets. We are committed to a strategy of providing specialized technical expertise and value-added products, which we refer to as engineered solutions, in response to our customers' needs. These engineered solutions consist of:

products which we manufacture or modify;

products which are manufactured to our specifications by independent manufacturers under our own private labels; and

value we add through design-in support, systems integration, prototype design and manufacturing, testing, and logistics for our customers' end products. We define design-in support as component modifications or the identification of lower-cost product alternatives or complementary products.

Our products include RF and microwave components, power semiconductors, electron tubes, microwave generators, data display monitors, and electronic security products and systems. These products are used to control, switch or amplify electrical power or signals, or as display, recording or alarm devices in a variety of industrial, communication, and security applications.

Our broad array of technical services and products supports both our customers and vendors.

Our Strategic Business Units

We serve our customers through four strategic business units, each of which is focused on different end markets with distinct product and application needs. Our four strategic business units are:

RF, Wireless & Power Division (formerly RF & Wireless Communications Group);

Electron Device Group (formerly Industrial Power Group);

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Security Systems Division; and

Display Systems Group.

Each strategic business unit has dedicated marketing, sales, product management and purchasing functions to better serve its targeted markets. The strategic business units operate globally, serving North America, Europe, Asia/Pacific, and Latin America.

During the second quarter of fiscal 2006, we implemented a reorganization plan encompassing our RF & Wireless Communications Group and Industrial Power Group business units. Effective for the second quarter of fiscal 2006, the Industrial Power Group has been designated as the Electron Device Group and the RF & Wireless Communications Group has been designated as RF, Wireless & Power Division. The reorganization was implemented to increase efficiencies by integrating the Industrial Power Group's power conversion sales and product management into the RF & Wireless Communication Group, improving the geographic sales coverage and driving sales growth by leveraging the RF & Wireless Communication Group's larger sales resources. In

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addition, we believe that the Electron Device Group will benefit from an increased focus on the high-margin tube business with a simplified global sales and product management structure to work more effectively with customers and vendors.

RF, Wireless & Power Division, formerly RF & Wireless Communications Group

Our RF, Wireless & Power Division serves the global RF and wireless communications market, including infrastructure and wireless networks, as well as the fiber optics and industrial power conversion market. Our team of RF and wireless engineers assists customers in designing circuits, selecting cost effective components, planning reliable and timely supply, prototype testing, and assembly. The group offers our customers and vendors complete engineering and technical support from the design-in of RF, wireless and power components to the development of engineered solutions for their system requirements.

We expect continued growth in wireless applications as the demand for many types of wireless communication increases worldwide. We believe wireless networking and infrastructure products for a number of niche applications will require engineered solutions using the latest RF technology and electronic components, including:

automotive telematics, which is the use of computers and telecommunications to provide wireless voice and data applications in motor vehicles;

RF identification, which is an electronic data collection and identification technology for a wide range of products to transfer data between a movable item and a reader to identify, track, or locate items; and

wireless local area networks.

In addition to voice communication, we believe the rising demand for high-speed data transmission will result in major investments in both system upgrades and new systems to handle broader bandwidth.

Electron Device Group, formerly Industrial Power Group

Our Electron Device Group 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 designs solutions for applications such as industrial heating, laser technology, semiconductor manufacturing equipment, radar, and welding. We build on our expertise in high power frequency vacuum devices to provide engineered solutions to fit our customers' specifications using what we believe are the most competitive components from industry-leading vendors.

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

Security Systems Division

Our Security Systems Division is a global provider of closed circuit television, fire, burglary, access control, sound, and communication products and accessories for the residential, commercial, and government markets. We specialize in closed circuit television design-in support, offering extensive expertise with applications requiring digital technology. Our products are primarily used for security and access control purposes but are also utilized in industrial applications, mobile video, and traffic management.

The security systems industry is rapidly transitioning from analog to digital imaging technology. We are positioned to take advantage of this transition through our array of innovative products and solutions marketed

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under our *National Electronics*, *Capture*[®], *AudioTrak*[®], and *Elite National Electronics*[®] brands. We expect to gain additional market share by marketing ourselves as a value-added service provider and partnering with our other strategic business units to develop customized solutions as the transition to digital technology continues in the security industry.

Display Systems Group

Our Display Systems Group is a global provider of integrated display products and systems to the public information, financial, point-of-sale, and medical imaging markets. The group works with leading hardware vendors to offer the highest quality liquid crystal display, plasma, cathode ray tube, and customized display monitors. Our engineers design custom display solutions that include touch screens, protective panels, custom enclosures, specialized finishes, application specific software, and privately branded products.

The medical imaging market is transitioning from film-based technology to digital technology. Our medical imaging hardware partnership program allows us to deliver integrated hardware and software solutions for this growing market by combining our hardware expertise in medical imaging engineered solutions with our software partners' expertise in picture archiving and communications systems. Through such collaborative arrangements, we are able to provide integrated workstation systems to the end user.

Our legacy business of supplying replacement cathode ray tubes continues to be an important market. We believe we are successful in supplying replacement cathode ray tubes because of our extensive cross-reference capability. This database, coupled with custom mounting hardware installed by us, enables us to provide replacement tubes for more than 200,000 products.

We have long-standing relationships with key manufacturers including 3M, Clinton Electronics, IBM, Intel, LG, NEC/Mitsubishi Displays, Panasonic Industrial, Philips-FIMI, Planar Systems and Siemens Displays. We believe these relationships allow us to maintain a well-balanced and technologically advanced line of products.

Business Strategies

We are pursuing a number of strategies designed to enhance our business and, in particular, to increase sales of engineered solutions. Our strategies are to:

Capitalize on Engineering and Manufacturing Expertise. We believe that our success is largely attributable to our core engineering and manufacturing competency and skill in identifying cost-competitive solutions for our customers, and we believe that these factors will be significant to our future success. Historically, our primary business was the distribution and manufacture of electron tubes, and we continue to be a major supplier of these products. This business enabled us to develop manufacturing and design engineering capabilities. Today, we use this expertise to identify engineered solutions for customers' applications not only in electron tube technology but also in new and growing end markets and product applications. We work closely with our customers' engineering departments which allows us to identify engineered solutions for a broad range of applications. We believe our customers use our engineering and manufacturing expertise as well as our in depth knowledge of the components best suited to deliver a solution that meets their performance needs cost-effectively.

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Target Selected Niche Markets. We focus on selected niche markets that demand a high level of specialized technical service, where price is not the primary competitive factor. These niche markets include wireless infrastructure, high power/high frequency power conversion, custom display and digital imaging. In most cases, we do not compete against pure commodity distributors. We often function as an extension of our customers and vendors engineering teams. Frequently, our customers use our design and engineering expertise to provide a product solution that is not readily available from a traditional distributor. By utilizing our expertise, our customers and vendors can focus their engineering resources on more critical core design and development issues.

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Focus on Growth Markets. We are focused on markets we believe have high growth potential and which can benefit from our engineering and manufacturing expertise and from our strong vendor relationships. These markets are characterized by substantial end-market growth and rapid technological change. For example, the continuing demand for wireless communications is driving wireless application growth. Power conversion demand continues to grow due to increasing system complexity and the need for intelligent, efficient power management. We also see growth opportunities as security systems transition from analog to digital video recording and medical display systems transition from film to digital imaging.

Leverage Our Existing Customer Base. An important part of our growth is derived from offering new products to our existing customer base. We support the migration of our customers from electron tubes to newer solid-state technologies. Sales of products other than electron tubes represented approximately 83% of our sales in fiscal 2005 compared to 76% in fiscal 2000. In addition, our salespeople increase sales by selling products from all strategic business units to customers who currently may only purchase from one strategic business unit and by selling engineered solutions to customers who currently may only purchase standard components.

Growth and Profitability Strategies

Our long-range growth plan is centered around three distinct strategies by which we are seeking to maximize our overall profitability:

Focus on Internal Growth. We believe that, in most circumstances, internal growth provides the best means of expanding our business, both on a geographic and product line basis. We believe there is increased outsourcing of engineering as companies focus on their own core competencies, which we believe contributed to the increased demand for our engineered solutions. As technologies change, we plan to continue to capitalize on our customers' need for design engineering. In fiscal 2005, we made sales to approximately 37,000 customers. We have developed internal systems to capture forecasted product demand by potential design opportunity. This allows us to anticipate our customers' future requirements and identify new product opportunities. In addition, we share these future requirements with our manufacturing suppliers to help them predict near and long-term demand, technology trends and product life cycles. Expansion of our product offerings is an ongoing program. In particular, the following areas have generated significant sales increases in recent years: RF amplifiers; interconnect and passive devices; silicon controlled rectifiers; custom and medical monitors; and digital closed circuit television security systems.

Reduce Operating Costs Through Continuous Operational Improvements. We constantly strive to reduce costs in our business through initiatives designed to improve our business processes. Recently, we have embarked on a vigorous program in an effort to improve operating efficiencies and asset utilization, with an emphasis on inventory control. Our incentive programs were revised in fiscal 2004 to heighten our managers' commitment to these objectives. Since fiscal 2004, our strategic business units' goals are based on return on assets. Additional programs are ongoing, including a significant investment in enterprise resource planning software during fiscal 2006.

Grow Through Acquisitions. We have an established record of acquiring and integrating businesses. Since 1980, we have acquired 36 companies or significant product lines and continue to evaluate acquisition opportunities on an ongoing basis. We seek acquisitions that provide product line growth opportunities by permitting us to leverage our existing customer base, expand the geographic coverage for our existing product offerings, or add incremental engineering resources/expertise. Our most significant acquisitions over the past five years include:

Celti Electronics (fiber optic communication - now part of our RF, Wireless & Power Division) in fiscal 2001;

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Aviv Electronics of Israel (design-in services for active and passive components now part of our RF, Wireless & Power Division) in fiscal 2001;

Sangus Holdings AB (RF and microwave applications now part of our RF, Wireless & Power Division) in fiscal 2002; and

Evergreen Trading Company (power conversion now part of our Electron Device Group) in fiscal 2005.

Effective June 1, 2005, we acquired A.C.T. Kern GmbH & Co. KG located in Germany (display technology now part of our Display Systems Group).

Recent Developments

Sale of \$25 Million of Notes

On November 21, 2005, we sold \$25 million in aggregate principal amount of our notes to qualified institutional buyers in a private placement. We have used the net proceeds from the sale of the notes to repay amounts outstanding under our amended and restated credit agreement. We have agreed to redeem all of our outstanding 7¼% debentures on December 30, 2005 and 8¼% debentures on December 23, 2005 and intend to reborrow amounts under our amended and restated credit agreement to effect these redemptions.

Identification of Material Weaknesses in Internal Control over Financial Reporting

Management conducted an assessment of the effectiveness of our internal control over financial reporting as of May 28, 2005 based on the framework published by the Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control Integrated Framework*. Management identified the following material weaknesses in our internal control over financial reporting as of May 28, 2005:

Deficiencies in our control environment. We did not maintain effective company-level controls as defined in the *Internal Control Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission.

Inadequate controls associated with the accounting for income taxes. We did not employ personnel with the appropriate level of skill and experience to prepare, document, and review our accounting for income taxes.

Inadequate financial statement preparation and review procedures. We did not maintain adequate policies and procedures, or employ sufficiently experienced personnel, to ensure that accurate and reliable interim and annual consolidated financial statements were prepared and reviewed on a timely basis.

Deficiency related to the application of accounting literature. We did not maintain adequate policies and procedures, or employ sufficiently experienced personnel, to ensure appropriate application of Financial Accounting Standards Board Statement (SFAS) No.

52, Foreign Currency Translation.

As a result of the aforementioned material weaknesses, we concluded that we did not maintain effective internal control over financial reporting, and we did not have effective disclosure controls and procedures as of May 28, 2005.

The following were changes in our internal control over financial reporting that occurred during the first quarter of fiscal 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In June 2005, we hired a Director of Tax to increase our focus on processes and procedures associated with accounting for income taxes;

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We developed a program to provide training for accounting personnel in our foreign subsidiaries;

We enhanced our account reconciliation process to ensure that accounts are being reconciled on a timely basis, the reconciliations are independently reviewed, and any reconciling items are cleared on a timely basis;

We developed a plan to strengthen our procedures regarding the review and approval of journal entries through system automation;

We implemented formal procedures for financial statement variance analysis and balance sheet reconciliations. The monthly closing schedule is formally communicated to all subsidiaries; and

We improved documentation of management review and reconciliation performance through policies, education and re-enforcement, a listing of employees who reconcile and approve balance sheet account reconciliations, and the implementation of key financial manager checklists.

In order to remediate the material weaknesses identified in internal control over financial reporting and ensure the integrity of our financial reporting processes, we have implemented or are in the process of implementing the measures described above, as well as the following additional actions:

We have engaged outside tax professionals to provide global compliance and reporting services to ensure that we have appropriate resources to conduct timely reviews and evaluations of our current and deferred tax provisions, deferred tax assets and liabilities, and related complex tax issues;

We trained accounting personnel in our European subsidiaries and will continue training our other foreign subsidiaries throughout fiscal 2006;

We have developed a policy related to controls over end-user computing; and

We have hired a Director of Internal Audit to assist us in our ongoing evaluation and monitoring of internal control over financial reporting.

In addition, we continue to emphasize the importance of establishing the appropriate environment in relation to accounting, financial reporting, and internal control over financial reporting and the importance of identifying areas for improvement and to create and implement new policies and procedures where material weaknesses or significant deficiencies exist. Furthermore, in an effort to improve internal control over financial reporting, we have hired additional accounting expertise and have continued our use of external resources.

See Risk Factors Risks Related to Our Business If we do not maintain effective internal control over financial reporting, we could be unable to provide timely and reliable financial information and Experts.

Engagement of Ernst & Young LLP as Independent Registered Public Accounting Firm

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On August 29, 2005, we, with the approval of our audit committee, notified Ernst & Young LLP (E&Y) of its selection as our independent registered public accounting firm for the fiscal year ending June 3, 2006. E&Y 's engagement became effective on September 12, 2005, coincident with the completion of E&Y 's client acceptance procedures and its acceptance of the engagement.

During each of our two most recent fiscal years and through the date of the report on Form 8-K filed on September 14, 2005 reporting the engagement of E&Y, we did not consult E&Y with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, or other matters as set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

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E&Y previously served as our auditors from December 1981 until August 21, 2003, when KPMG LLP was engaged. As previously reported on Forms 10-K/A filed on May 20, 2005 and January 30, 2004, we restated our fiscal 2003 and 2002 financial statements that previously had been audited by E&Y. Accordingly, during our 2004 and 2005 fiscal years, E&Y performed audit procedures and audit-related discussions with us and KPMG regarding these restatements.

Reorganization of RFWC and IPG

During the second quarter of fiscal 2006, we implemented a reorganization plan encompassing our RF & Wireless Communications Group and Industrial Power Group business units. Effective for the second quarter of fiscal 2006, the Industrial Power Group will be designated as the Electron Device Group and the RF & Wireless Communications Group will be designated as RF, Wireless & Power Division. The reorganization was implemented to increase efficiencies by integrating the Industrial Power Group's power conversion sales and product management into the RF & Wireless Communication Group, improving the geographic sales coverage and driving sales growth by leveraging RF & Wireless Communication Group's larger sales resources. In addition, we believe that the Electron Device Group will benefit from an increased focus on the high-margin tube business with a simplified global sales and product management structure to work more effectively with customers and vendors.

Noncompliance with Loan Covenant

At September 3, 2005, we were not in compliance with our amended and restated credit agreement covenants with respect to the tangible net worth covenant due solely to the additional goodwill recorded as a result of the Kern acquisition. On October 12, 2005, we received a waiver from our lending group for the default and executed an amendment to the amended and restated credit agreement. The amendment changed the minimum tangible net worth requirement to adjust for the goodwill associated with the Kern acquisition.

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The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus contains a more detailed description of the terms and conditions of the notes.

Issuer	Richardson Electronics, Ltd.
Securities Offered	Up to \$25,000,000 aggregate principal amount of 8% Convertible Senior Subordinated Notes due 2011.
Interest	We will pay interest at 8% per year. Interest on the notes will accrue from November 21, 2005 or from the most recent date to which interest has been paid or duly provided for and will be payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2006. Interest will be computed on the basis of a 360 day year comprised of twelve 30 day months.
Maturity Date	June 15, 2011
Conversion at Holders Option	The notes are convertible at the holders option at any time prior to maturity into shares of our common stock, initially at a conversion price of \$10.31 per share, subject to adjustment upon certain events.
Auto-Conversion	At any time prior to maturity, we may elect to automatically convert some or all of the notes into shares of our common stock if the last reported sale price of our common stock exceeds 150% of the conversion price for 20 trading days during any 30 trading day period ending within five days of the notice of automatic conversion and either (x) a registration statement registering the resale of the common stock issued upon conversion is effective prior to the date we notify you of the automatic conversion, or (y) the common stock issuable upon conversion may be sold pursuant to Rule 144 under the Securities Act.
Additional Payment upon Conversion during the first Three Years	<p>If we effect an automatic conversion of the notes prior to December 20, 2008, we will make an additional payment equal to three full years of interest, less any interest actually paid or provided for prior to the conversion date.</p> <p>We may pay this additional payment in cash or, at our option, in shares of common stock. If we elect to pay the additional payment in common stock, the common stock will be valued at 97.5% of the average of the closing prices of the common stock for the 20 consecutive trading days ending on the third business day prior to the conversion date.</p>
Additional Shares upon Conversion in Connection with Certain Events	If a holder elects to convert the notes prior to December 20, 2008 in connection with certain business combinations in which 10% or more

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of the consideration for our common stock consists of securities of a company that is not traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange or The Nasdaq National Market, we will increase the number of shares of common stock we issue for each note surrendered for conversion by a number of additional shares as described in the indenture.

Adjustments to the Conversion Price

The conversion price of the notes will be subject to adjustment under certain circumstances, including if we pay dividends on, or make cash distributions in respect of, our common stock that exceed, in the aggregate, \$0.16 per common share for four consecutive fiscal quarters.

Optional Redemption

At any time on or after December 20, 2008, we may redeem some or all of the notes at 100% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date. If we elect to redeem the notes, we will provide notice of redemption to you not less than 20 days and not more than 90 days before the redemption date.

Repurchase at Holder's Option upon Certain Events

Upon a change of control or if our common stock shall not be authorized for quotation or listing on The Nasdaq National Market, The Nasdaq Capital Market, The New York Stock Exchange or the American Stock Exchange, the holder may require us to repurchase the notes in cash at a price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the applicable repurchase date.

Prior to November 21, 2008, we may not incur senior indebtedness or indebtedness that ranks on parity in right of payment with the notes, other than pursuant to our amended and restated credit agreement. If after November 21, 2008, we incur senior indebtedness or indebtedness that ranks on parity in right of payment with the notes, other than pursuant to our amended and restated credit agreement, holders of the notes may require us to repurchase an aggregate principal amount of notes equal to our net proceeds from such issuance of indebtedness at a price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the applicable repurchase date. Such senior indebtedness or indebtedness that ranks on parity in right of payment with the notes shall not mature prior to June 15, 2011.

If we repurchase or redeem any portion of the principal amount of our 7³/₄% notes, holders of the notes may require us to repurchase, for the same type of consideration offered to the holders of our 7³/₄% notes, the same portion of the principal amount of the notes. The repurchase price shall be equal to 100% of the principal amount of the notes plus accrued and unpaid interest, if any, to the applicable repurchase date; provided, that if the price at which we repurchased or redeemed our 7³/₄% notes exceeded 100% of the principal amount thereof, then the repurchase price for the notes shall exceed 100% of the principal amount thereof by the same percentage.

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Ranking	The notes are our senior subordinated obligations and will be subordinated to our senior indebtedness; structurally subordinated to any secured indebtedness (to the extent of its security); rank on parity with all of our existing and future senior subordinated debt, including our 7 ³ / ₄ % notes; and be senior to all future subordinated debt. The notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries. We and our subsidiaries are prohibited from incurring additional indebtedness that ranks on parity in right of payment with the notes or senior indebtedness, other than indebtedness under our amended and restated credit agreement, prior to November 21, 2008, and if we incur such indebtedness after November 21, 2008, we must offer to repurchase the notes with the net proceeds of such indebtedness. We may not incur any indebtedness that is junior in right of payment to the notes that has a maturity date prior to June 15, 2011.
Trading	Currently, there is no public market for the notes, and we cannot assure you that any such market will develop. The notes will not be listed on any securities exchange or be included in any automated quotation system. Our common stock is traded on The Nasdaq National Market under the symbol RELL.
Sinking Fund	None.
Use of Proceeds	The net proceeds from the sale of the notes or the shares of common stock covered by this prospectus will be received by the selling holders. We will not receive any of the proceeds from any sale by any selling holder of the notes or the shares of common stock covered by this prospectus.
Book-Entry Form	The notes will be issued in book-entry form and represented by permanent global certificates deposited with, or on behalf of, the Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the securities will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Risk Factors	An investment in the notes and our common stock involves a high degree of risk. See Risk Factors beginning on page 14 for a discussion of certain factors that you should consider when evaluating an investment in the notes and the underlying common stock.

Table of Contents**Summary Selected Consolidated Financial Information**

The following table contains summary selected consolidated financial information as of and for the fiscal years ended May 31, 2003, May 29, 2004 and May 28, 2005 and as of and for the three months ended August 28, 2004 and September 3, 2005. The summary selected consolidated financial information as of May 29, 2004 and May 28, 2005 and for the fiscal years ended May 31, 2003, May 29, 2004 and May 28, 2005, are derived from our audited financial statements contained elsewhere in this prospectus. The summary selected consolidated financial data as of and for the three months ended August 28, 2004 and September 3, 2005 are derived from our unaudited financial statements contained elsewhere in this prospectus and, in our opinion, reflect all adjustments, which are normal recurring adjustments, necessary for a fair presentation. Our results of operations for the three months ended September 3, 2005 may not be indicative of the results that may be expected for the full year. The summary selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and notes to those consolidated financial statements contained elsewhere in this prospectus. Historical results are not necessarily indicative of results to be expected in the future.

	Fiscal Year Ended ⁽¹⁾			Three Months Ended	
	May 31, 2003 ⁽²⁾	May 29, 2004 ⁽³⁾	May 28, 2005 ⁽⁴⁾	August 28, 2004	September 3, 2005
	(In thousands, except per share amounts)				
	(Unaudited)				
Statement of Operations Data:					
Net sales ⁽⁵⁾	\$ 464,381	\$ 519,823	\$ 578,724	\$ 138,447	\$ 158,145
Cost of products sold	365,427	392,117	441,817	104,918	119,329
Gross margin	98,954	127,706	136,907	33,529	38,816
Selling, general and administrative expenses ⁽⁵⁾	100,613	108,299	128,733	29,216	33,067
(Gain) loss on disposal of assets ⁽⁶⁾		579	(9,918)	(10)	(140)
Other expense, net	9,700	10,258	7,538	3,195	2,120