



NASDAQ: RELL
 PRICE: \$10.68
 October 22, 2010

Richardson's recent proxy filing provides more details regarding the divestiture of its RFPD division to Arrow Electronics. The pro-forma cash receipt for the divestiture is estimated at \$185 inclusive of an estimated tax liability of \$25 million. The \$185 million is comprised of \$98.4 million in capital gain and \$86.6 million in net assets. The pro-forma book value is \$238.4 million, or \$13.32/share. The stock currently trades at \$10.68/share. The pro-forma balance sheet is shown below.

Some of the more salient details from the proxy include the following. Approximately 400 Richardson employees will transfer to Arrow Electronics. The company had reported a total employee headcount of approximately 744 at the end of May 2010 suggesting that the EDG and Canvys divisions will maintain a headcount of 300+. Additionally, the acquisition agreement requires Arrow to lease RFPD office space from Richardson at an annual fee of \$.5 million for 5 years. Arrow has also purchased all IT systems related to the RFPD business. Lastly, details concerning the non-compete terms for the next three years between the two parties are quoted below from the proxy.

Non-Compete and Non-Solicitation

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.

Peer Group Comparison (in thousands)

| Ticker | Name | Price | EV / Sales | EV / EBITDA | P/BV | P/E-CY10E | P/E-CY11E |
|-------------|-------------------------------|----------------|-------------|-------------|------------|-------------|------------|
| ARW | Arrow Electronics | \$27.62 | 0.24 | 6.3 | 1.1 | 7.2 | 7.2 |
| AVT | Avnet | \$28.30 | 0.23 | 6.3 | 1.4 | 8.3 | 8.0 |
| WCC | Wesco International Inc. | \$42.71 | 0.49 | 11.7 | 1.7 | 18.3 | 14.0 |
| NUHC* | NuHorizons Electronics | \$6.97 | 0.19 | 9.8 | 0.9 | 46.5 | NA |
| | Median | | 0.24 | 8.0 | 1.3 | 13.3 | 8.0 |
| RELL | Richardson Electronics | \$10.68 | 0.35 | 5.4 | 1.4 | 9.8 | NA |

Note: All figures based on trailing 12-months, except P/E-10 and PE/-11 based on consensus estimates

Prices as of 10/21/10

* Proposed buy-out by Arrow Electronics for \$7/share

| | Q1 FY 2011 | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | As Reported | RFPD(1) | Adjust(2) | Proforma |
| Assets | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | \$ 31,982 | \$ — | \$ 185,000 | \$ 216,982 |
| Receivables | 102,037 | 75,064 | | 26,973 |
| Inventories | 85,564 | 58,916 | | 26,648 |
| Prepaid Expenses(3) | 4,758 | 609 | | 4,149 |
| Deferred Income Taxes | 2,251 | — | | 2,251 |
| Total Current Assets | 226,592 | 134,589 | 185,000 | 277,003 |
| PPE Net (4) | 16,207 | 10,900 | | 5,307 |
| Deferred financing costs, net | — | — | | — |
| Non-Current Deferred Income Taxes | 3,790 | — | | 3,790 |
| Other non-current assets | 319 | — | | 319 |
| Total Other Assets | 20,316 | 10,900 | — | 9,416 |
| TOTAL ASSETS | \$ 246,908 | \$ 145,489 | \$ 185,000 | \$ 286,419 |
| Liabilities and Stockholders' Equity | | | | |
| Current Liabilities | | | | |
| Accounts Payable(5) | \$ 61,169 | \$ 44,826 | | \$ 16,343 |
| Accrued Liabilities(6) | 18,732 | 14,086 | | 4,646 |
| Current Portion of Long-Term Debt | 22,000 | — | | 22,000 |
| Total Current Liabilities | 101,901 | 58,912 | — | 42,989 |
| Long-term debt | — | — | | — |
| Long-term income tax liabilities | 3,417 | — | | 3,417 |
| Non-Current Liabilities | 1,637 | — | | 1,637 |
| Total Non-Current Liabilities | 5,054 | — | — | 5,054 |
| Total Liabilities | \$ 106,955 | \$ 58,912 | \$ — | \$ 48,043 |
| Total Shareholder Equity | \$ 139,953 | \$ 86,577 | \$ 185,000 | \$ 238,376 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 246,908 | \$ 145,489 | \$ 185,000 | \$ 286,419 |

-1

RFPD assets and liabilities are those that have been specifically identified as RFPD and excludes all other assets and liabilities that are identified as general Richardson Electronics assets and liabilities or specific to other divisions of Richardson Electronics.

-2

Represents net cash proceeds received at the close of the transaction, consisting of gross proceeds of \$210 million less estimated taxes of \$25 million.

-3

RFPD prepaid expenses relate specifically to computer support and maintenance costs to be transferred in connection with the Transaction.

-4

RFPD Property, Plant and Equipment ("PP&E") includes an estimated net book value of PP&E to be transferred in connection with the Transaction.

-5

RFPD Accounts Payable are defined as RFPD's trade accounts payable and include amounts related to inventory purchases, vendor incentive programs, and in-transit inventory.

-6

RFPD Accrued Liabilities are non-trade liabilities specifically associated with RFPD that are not transferring in connection with the Transaction and include estimated amounts related to RFPD employee compensation and benefits and related payroll tax liabilities, unearned revenue, accrued freight costs, accrued tax, and other RFPD non-trade liabilities.

Disclaimers & Disclosures

21st Century Equity Research and the covering analyst receive cash compensation for research coverage directly from the subject company. Information, opinions, or recommendations contained in the reports and updates are submitted solely for advisory and information purposes. The reports and updates are not intended to be construed as an offering or a solicitation of an offer to buy or sell the securities mentioned or discussed. The factual statements in the reports and updates have been taken from generally recognized public sources believed reliable but such statements of fact have not been independently verified and are made without any representation as to accuracy, completeness, or otherwise. The research, analysis, financial projections, and opinions expressed in the reports and updates are those of the analyst and are subject to change without notice. Additionally, the information in this report may become outdated and there is no obligation to update any information contained in this report. The subject company has the opportunity to review the reports and updates for historical factual accuracy, but has no influence over the analysis, financial projections, or opinions made by the analyst.