

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

FORM 10-Q

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

For the quarterly period ended September 27, 2014

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 1-4482

ARROW ELECTRONICS, INC.
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

7459 South Lima Street, Englewood, Colorado
(Address of principal executive offices)

11-1806155
(I.R.S. Employer
Identification Number)

80112
(Zip Code)

(303) 824-4000
(Registrant's telephone number, including area code)

No Changes
(Former name, former address and former fiscal year, if changed since last report)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (do not check if a smaller reporting company)

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 ☒

There were 96,907,979 shares of Common Stock outstanding as of October 24, 2014.

ARROW ELECTRONICS, INC.

INDEX

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Consolidated Statements of Operations	<u>3</u>
Consolidated Statements of Comprehensive Income	<u>4</u>
Consolidated Balance Sheets	<u>5</u>
Consolidated Statements of Cash Flows	<u>6</u>
Notes to Consolidated Financial Statements	<u>7</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>25</u>
Item 3. Quantitative and Qualitative Disclosures about Market Risk	<u>35</u>
Item 4. Controls and Procedures	<u>36</u>
Part II. Other Information	
Item 1A. Risk Factors	<u>37</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>37</u>
Item 6. Exhibits	<u>38</u>
Signature	<u>39</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ARROW ELECTRONICS, INC. **CONSOLIDATED STATEMENTS OF OPERATIONS** (In thousands except per share data) (Unaudited)

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Sales	\$ 5,613,216	\$ 5,048,211	\$ 16,371,795	\$ 15,203,925
Costs and expenses:				
Cost of sales	4,884,529	4,376,551	14,191,759	13,200,621
Selling, general, and administrative expenses	485,864	453,920	1,453,675	1,376,199
Depreciation and amortization	39,072	32,436	115,355	96,540
Restructuring, integration, and other charges	3,935	22,568	25,181	74,402
	5,413,400	4,885,475	15,785,970	14,747,762
Operating income	199,816	162,736	585,825	456,163
Equity in earnings of affiliated companies	2,192	1,884	4,790	5,227
Gain on sale of investment	29,743	—	29,743	—
Loss on prepayment of debt	—	—	—	4,277
Interest and other financing expense, net	27,522	27,167	86,079	86,896
Income before income taxes	204,229	137,453	534,279	370,217
Provision for income taxes	57,377	40,490	152,175	105,260
Consolidated net income	146,852	96,963	382,104	264,957
Noncontrolling interests	(12)	184	236	368
Net income attributable to shareholders	\$ 146,864	\$ 96,779	\$ 381,868	\$ 264,589
Net income per share:				
Basic	\$ 1.49	\$.96	\$ 3.84	\$ 2.56
Diluted	\$ 1.47	\$.95	\$ 3.80	\$ 2.53
Weighted-average shares outstanding:				
Basic	98,631	100,750	99,336	103,269
Diluted	99,866	101,669	100,609	104,426

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Consolidated net income	\$ 146,852	\$ 96,963	\$ 382,104	\$ 264,957
Other comprehensive income:				
Foreign currency translation adjustment	(149,348)	80,812	(174,077)	28,953
Unrealized gain (loss) on investment securities, net	(19,264)	864	(13,534)	(533)
Unrealized gain on interest rate swaps designated as cash flow hedges, net	101	96	300	1,977
Employee benefit plan items, net	551	744	1,657	2,306
Other comprehensive income (loss)	(167,960)	82,516	(185,654)	32,703
Comprehensive income (loss)	(21,108)	179,479	196,450	297,660
Less: Comprehensive income (loss) attributable to noncontrolling interests	(12)	184	236	368
Comprehensive income (loss) attributable to shareholders	\$ (21,096)	\$ 179,295	\$ 196,214	\$ 297,292

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands except par value)

	September 27, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 258,233	\$ 390,602
Accounts receivable, net	5,060,959	5,769,759
Inventories	2,242,774	2,167,287
Other current assets	267,732	258,122
Total current assets	7,829,698	8,585,770
Property, plant, and equipment, at cost:		
Land	23,867	24,051
Buildings and improvements	143,837	142,583
Machinery and equipment	1,127,650	1,113,987
	1,295,354	1,280,621
Less: Accumulated depreciation and amortization	(660,643)	(648,232)
Property, plant, and equipment, net	634,711	632,389
Investments in affiliated companies	68,056	67,229
Intangible assets, net	421,710	426,069
Cost in excess of net assets of companies acquired	2,076,692	2,039,293
Other assets	280,659	310,133
Total assets	\$ 11,311,526	\$ 12,060,883
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 3,806,702	\$ 4,503,200
Accrued expenses	650,779	774,868
Short-term borrowings, including current portion of long-term debt	17,473	23,878
Total current liabilities	4,474,954	5,301,946
Long-term debt	2,211,037	2,226,132
Other liabilities	374,507	347,977
Equity:		
Shareholders' equity:		
Common stock, par value \$1:		
Authorized - 160,000 shares in both 2014 and 2013		
Issued - 125,424 shares in both 2014 and 2013	125,424	125,424
Capital in excess of par value	1,076,124	1,071,075
Treasury stock (27,375 and 25,488 shares in 2014 and 2013, respectively), at cost	(1,055,827)	(920,528)
Retained earnings	4,060,577	3,678,709
Accumulated other comprehensive income	39,898	225,552
Total shareholders' equity	4,246,196	4,180,232
Noncontrolling interests	4,832	4,596
Total equity	4,251,028	4,184,828
Total liabilities and equity	\$ 11,311,526	\$ 12,060,883

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 27, 2014	September 28, 2013
Cash flows from operating activities:		
Consolidated net income	\$ 382,104	\$ 264,957
Adjustments to reconcile consolidated net income to net cash provided by operations:		
Depreciation and amortization	115,355	96,540
Amortization of stock-based compensation	31,283	24,247
Equity in earnings of affiliated companies	(4,790)	(5,227)
Deferred income taxes	11,368	15,311
Restructuring, integration, and other charges	18,102	52,260
Gain on sale of investment	(18,269)	—
Excess tax benefits from stock-based compensation arrangements	(6,977)	(6,937)
Other	2,029	2,809
Change in assets and liabilities, net of effects of acquired businesses:		
Accounts receivable	556,445	386,542
Inventories	(97,929)	(94,180)
Accounts payable	(632,191)	(361,349)
Accrued expenses	(150,165)	(204,013)
Other assets and liabilities	9,883	64,685
Net cash provided by operating activities	216,248	235,645
Cash flows from investing activities:		
Cash consideration paid for acquired businesses	(129,522)	(43,392)
Acquisition of property, plant, and equipment	(87,881)	(85,465)
Proceeds from sale of investment	40,542	—
Other	—	(3,000)
Net cash used for investing activities	(176,861)	(131,857)
Cash flows from financing activities:		
Change in short-term and other borrowings	(9,243)	(22,282)
Repayment of long-term bank borrowings, net	(10,200)	(242,900)
Net proceeds from note offering	—	591,156
Redemption of senior notes	—	(338,184)
Proceeds from exercise of stock options	21,013	30,368
Excess tax benefits from stock-based compensation arrangements	6,977	6,937
Repurchases of common stock	(189,411)	(312,613)
Net cash used for financing activities	(180,864)	(287,518)
Effect of exchange rate changes on cash	9,108	25,836
Net decrease in cash and cash equivalents	(132,369)	(157,894)
Cash and cash equivalents at beginning of period	390,602	409,684
Cash and cash equivalents at end of period	\$ 258,233	\$ 251,790

See accompanying notes.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Note A – Basis of Presentation

The accompanying consolidated financial statements of Arrow Electronics, Inc. (the "company") were prepared in accordance with accounting principles generally accepted in the United States and reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair presentation of the consolidated financial position and results of operations at and for the periods presented. The consolidated results of operations for the interim periods are not necessarily indicative of results for the full year.

These consolidated financial statements do not include all of the information or notes necessary for a complete presentation and, accordingly, should be read in conjunction with the company's Form 10-Q for the quarterly periods ended June 28, 2014 and March 29, 2014, as well as the audited consolidated financial statements and accompanying notes for the year ended December 31, 2013, as filed in the company's Annual Report on Form 10-K.

Quarter End

The company operates on a quarterly reporting calendar that closes on the Saturday closest to the end of the calendar quarter.

Reclassification

Certain prior period amounts were reclassified to conform to the current period presentation.

Note B – Impact of Recently Issued Accounting Standards

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU No. 2014-15"). ASU No. 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU No. 2014-15 provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in footnote disclosures. ASU No. 2014-15 is effective for annual periods ending after December 15, 2016, and for interim and annual periods thereafter, with early application permitted. The adoption of the provisions of ASU No. 2014-15 is not expected to have a material impact on the company's financial position or results of operations.

In August 2014, the FASB issued Accounting Standards Update No. 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity* ("ASU No. 2014-13"). ASU No. 2014-13 provides an entity that consolidates a collateralized financing entity ("CFE") that had elected the fair value option for the financial assets and financial liabilities of such CFE an alternative to current fair value measurement guidance. If elected, the company could measure both the financial assets and the financial liabilities of the CFE by using the more observable of the fair value of the financial assets or the fair value of the financial liabilities. ASU No. 2014-13 is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted as of the beginning of an annual period. ASU No. 2014-13 allows for either a retrospective or modified retrospective approach to adoption. The adoption of the provisions of ASU No. 2014-13 is not expected to have a material impact on the company's financial position or results of operations.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* ("ASU No. 2014-12"). ASU No. 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. ASU No. 2014-12 is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted. The adoption of the provisions of ASU No. 2014-12 is not expected to have a material impact on the company's financial position or results of operations.

In June 2014, the FASB issued Accounting Standards Update No. 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* ("ASU No. 2014-11"). ASU No. 2014-11 requires entities to account for repurchase-to-maturity transactions as secured borrowings, rather than as sales with forward repurchase agreements. In addition, the ASU eliminates accounting guidance on linked repurchase financing transactions. ASU No. 2014-11 also expands

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers accounted for as secured borrowings. ASU No. 2014-11 is effective for interim and annual periods beginning after December 15, 2014, with early application prohibited. The adoption of the provisions of ASU No. 2014-11 is not expected to have a material impact on the company's financial position or results of operations.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU No. 2014-09"). ASU No. 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the Codification. Additionally, ASU No. 2014-09 supersedes some cost guidance included in *Subtopic 605-35, Revenue Recognition-Construction-Type and Production-Type Contracts*. Under ASU No. 2014-09, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. This includes significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU No. 2014-09 is effective for interim and annual periods beginning after December 15, 2016, with early application prohibited. ASU No. 2014-09 allows for either full retrospective or modified retrospective adoption. The company is evaluating the transition method that will be elected and the potential effects of adopting the provisions of ASU No. 2014-09.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("ASU No. 2014-08"). ASU No. 2014-08 amends the requirements for reporting and disclosing discontinued operations. Under ASU No. 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results. ASU No. 2014-08 is effective for interim and annual periods beginning after December 15, 2014, with early adoption permitted and is to be applied prospectively. The adoption of the provisions of ASU No. 2014-08 is not expected to have a material impact on the company's financial position or results of operations.

Note C – Acquisitions

The company accounts for acquisitions using the acquisition method of accounting. The results of operations of acquisitions are included in the company's consolidated results from their respective dates of acquisition. The company allocates the purchase price of each acquisition to the tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. In certain circumstances, a portion of purchase price may be contingent upon the achievement of certain operating results. The fair values assigned to identifiable intangible assets acquired and contingent consideration were determined primarily by using an income approach which was based on assumptions and estimates made by management. Significant assumptions utilized in the income approach were based on company specific information and projections, which are not observable in the market and are thus considered Level 3 measurements by authoritative guidance (see Note H). The excess of the purchase price over the fair value of the identified assets and liabilities has been recorded as goodwill. Any change in the estimated fair value of the net assets prior to the finalization of the allocation for acquisitions could change the amount of the purchase price allocable to goodwill. The company is not aware of any information that indicates the final purchase price allocations will differ materially from the preliminary estimates.

Recently Completed Acquisitions

Subsequent to quarter end, the company completed two acquisitions for a purchase price of approximately \$37,000 in cash. The impact of these acquisitions is not expected to have a material impact on the company's consolidated financial position or results of operations.

2014 Acquisitions

During the first nine months of 2014, the company completed three acquisitions. The aggregate consideration for these acquisitions was \$135,585, net of cash acquired, and included \$5,853 of contingent consideration and \$210 of other amounts withheld. The impact of these acquisitions was not material, individually or in the aggregate, to the company's consolidated financial position or results of operations. The pro forma impact of the 2014 acquisitions on the consolidated results of operations of the company for the third quarter and first nine months of 2014 and 2013 as though these acquisitions occurred on January 1, 2013 was also not material.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

2013 Acquisitions

On October 28, 2013, the company acquired CSS Computer Security Solutions Holding GmbH, doing business as ComputerLinks AG ("ComputerLinks"), for a purchase price of \$313,209, which included \$20,981 of cash acquired. ComputerLinks is a value-added distributor of enterprise computing solutions with a comprehensive offering of IT solutions from many of the world's leading technology suppliers. ComputerLinks has operations in EMEA (Europe, Middle East, and Africa), North America, and select countries within the Asia Pacific region.

During 2013, the company completed four additional acquisitions. The aggregate consideration for these four acquisitions was \$80,210, net of cash acquired, and included \$4,498 of contingent consideration. The impact of these acquisitions was not material, individually or in the aggregate, to the company's consolidated financial position or results of operations.

The following table summarizes the company's unaudited consolidated results of operations for the third quarter and first nine months of 2013, as well as the unaudited pro forma consolidated results of operations of the company, as though the 2013 acquisitions occurred on January 1:

	Quarter Ended September 28, 2013		Nine Months Ended September 28, 2013	
	As Reported	Pro Forma	As Reported	Pro Forma
Sales	\$ 5,048,211	\$ 5,273,114	\$ 15,203,925	\$ 15,939,474
Net income attributable to shareholders	96,779	98,105	264,589	272,572
Net income per share:				
Basic	\$.96	\$.97	\$ 2.56	\$ 2.64
Diluted	\$.95	\$.96	\$ 2.53	\$ 2.61

The unaudited pro forma consolidated results of operations do not purport to be indicative of the results obtained had these acquisitions occurred as of the beginning of 2013, or of those results that may be obtained in the future. Additionally, the above table does not reflect any anticipated cost savings or cross-selling opportunities expected to result from these acquisitions.

Note D – Cost in Excess of Net Assets of Companies Acquired and Intangible Assets, Net

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. The company tests goodwill and other indefinite-lived intangible assets for impairment annually as of the first day of the fourth quarter, or more frequently if indicators of potential impairment exist.

Cost in excess of net assets of companies acquired, allocated to the company's business segments, is as follows:

	Global Components	Global ECS	Total
Balance as of December 31, 2013 (a)	\$ 1,000,860	\$ 1,038,433	\$ 2,039,293
Acquisitions	56,510	29,227	85,737
Foreign currency translation adjustment	(4,877)	(43,461)	(48,338)
Balance as of September 27, 2014 (a)	\$ 1,052,493	\$ 1,024,199	\$ 2,076,692

- (a) The total carrying value of cost in excess of net assets of companies acquired for all periods in the table above is reflected net of \$1,018,780 of accumulated impairment charges, of which \$716,925 was recorded in the global components business segment and \$301,855 was recorded in the global ECS business segment.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Intangible assets, net, are comprised of the following as of September 27, 2014:

	Weighted-Average Life	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	indefinite	\$ 179,000	\$ —	\$ 179,000
Customer relationships	10 years	400,554	(162,517)	238,037
Developed technology	5 years	9,366	(5,339)	4,027
Other intangible assets	(b)	2,703	(2,057)	646
		<u>\$ 591,623</u>	<u>\$ (169,913)</u>	<u>\$ 421,710</u>

Intangible assets, net, are comprised of the following as of December 31, 2013:

	Weighted-Average Life	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	indefinite	\$ 179,000	\$ —	\$ 179,000
Customer relationships	10 years	374,244	(134,817)	239,427
Developed technology	5 years	9,625	(4,051)	5,574
Other intangible assets	(b)	4,609	(2,541)	2,068
		<u>\$ 567,478</u>	<u>\$ (141,409)</u>	<u>\$ 426,069</u>

(b) Consists of non-competition agreements and sales backlog with useful lives ranging from one to three years.

During the third quarters of 2014 and 2013, the company recorded amortization expense related to identifiable intangible assets of \$11,108 (\$9,086 net of related taxes or \$.09 per share on both a basic and diluted basis) and \$8,936 (\$7,074 net of related taxes or \$.07 per share on both a basic and diluted basis), respectively.

During the first nine months of 2014 and 2013, the company recorded amortization expense related to identifiable intangible assets of \$32,925 (\$26,860 net of related taxes or \$.27 per share on both a basic and diluted basis) and \$26,762 (\$21,219 net of related taxes or \$.21 and \$.20 per share on a basic and diluted basis, respectively), respectively.

Note E – Investments in Affiliated Companies

The company owns a 50% interest in several joint ventures with Marubun Corporation (collectively "Marubun/Arrow") and a 50% interest in Arrow Altech Holdings (Pty.) Ltd. ("Altech Industries"), a joint venture with Allied Technologies Limited. These investments are accounted for using the equity method.

The following table presents the company's investment in Marubun/Arrow and Altech Industries:

	September 27, 2014	December 31, 2013
Marubun/Arrow	\$ 57,350	\$ 54,672
Altech Industries	10,706	12,557
	<u>\$ 68,056</u>	<u>\$ 67,229</u>

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

The equity in earnings of affiliated companies consists of the following:

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Marubun/Arrow	\$ 1,965	\$ 1,534	\$ 4,088	\$ 4,362
Altech Industries	227	350	702	865
	<u>\$ 2,192</u>	<u>\$ 1,884</u>	<u>\$ 4,790</u>	<u>\$ 5,227</u>

Under the terms of various joint venture agreements, the company is required to pay its pro-rata share of the third party debt of the joint ventures in the event that the joint ventures are unable to meet their obligations. At September 27, 2014, the company's pro-rata share of this debt was approximately \$7,100. The company believes that there is sufficient equity in each of the joint ventures to meet their obligations.

Note F – Accounts Receivable

Accounts receivable, net, consists of the following:

	September 27, 2014	December 31, 2013
Accounts receivable	\$ 5,121,783	\$ 5,833,888
Allowances for doubtful accounts	(60,824)	(64,129)
Accounts receivable, net	<u>\$ 5,060,959</u>	<u>\$ 5,769,759</u>

The company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowances for doubtful accounts are determined using a combination of factors, including the length of time the receivables are outstanding, the current business environment, and historical experience.

Note G – Debt

At September 27, 2014 and December 31, 2013, short-term borrowings of \$17,473 and \$23,878, were primarily utilized to support the working capital requirements of certain international operations. The weighted average interest rate on these borrowings at September 27, 2014 and December 31, 2013 were 3.6% and 4.5%, respectively.

Long-term debt consists of the following:

	September 27, 2014	December 31, 2013
Revolving credit facility	\$ 49,800	\$ —
Asset securitization program	360,000	420,000
3.375% notes, due 2015	252,957	255,004
6.875% senior debentures, due 2018	199,235	199,078
3.00% notes, due 2018	298,914	298,691
6.00% notes, due 2020	299,951	299,945
5.125% notes, due 2021	249,494	249,435
4.50% notes, due 2023	297,913	297,767
7.50% senior debentures, due 2027	198,275	198,170
Interest rate swaps designated as fair value hedges	(579)	—
Other obligations with various interest rates and due dates	5,077	8,042
	<u>\$ 2,211,037</u>	<u>\$ 2,226,132</u>

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

The 7.50% senior debentures are not redeemable prior to their maturity. The 3.375% notes, 6.875% senior debentures, 3.00% notes, 6.00% notes, 5.125% notes, and 4.50% notes may be called at the option of the company subject to "make whole" clauses.

The estimated fair market value, using quoted market prices, is as follows:

	September 27, 2014	December 31, 2013
3.375% notes, due 2015	\$ 255,000	\$ 260,000
6.875% senior debentures, due 2018	228,000	228,000
3.00% notes, due 2018	309,000	300,000
6.00% notes, due 2020	339,000	330,000
5.125% notes, due 2021	270,000	260,000
4.50% notes, due 2023	309,000	291,000
7.50% senior debentures, due 2027	242,000	232,000

The carrying amount of the company's short-term borrowings in various countries, revolving credit facility, asset securitization program, and other obligations approximate their fair value.

The company has a \$1,500,000 revolving credit facility, maturing in December 2018. This facility may be used by the company for general corporate purposes including working capital in the ordinary course of business, letters of credit, repayment, prepayment or purchase of long-term indebtedness and acquisitions, and as support for the company's commercial paper program, as applicable. Interest on borrowings under the revolving credit facility is calculated using a base rate or a euro currency rate plus a spread (1.30% at September 27, 2014), which is based on the company's credit ratings, or an effective interest rate of 1.40% at September 27, 2014. The facility fee is .20%. At September 27, 2014, the company had \$49,800 in outstanding borrowings under the revolving credit facility. There were no outstanding borrowings under the revolving credit facility at December 31, 2013.

The company has an asset securitization program collateralized by accounts receivable of certain of its subsidiaries. In March 2014, the company amended its asset securitization program and, among other things, increased its borrowing capacity from \$775,000 to \$900,000 and extended its term to mature in March 2017. The asset securitization program is conducted through Arrow Electronics Funding Corporation ("AFC"), a wholly-owned, bankruptcy remote subsidiary. The asset securitization program does not qualify for sale treatment. Accordingly, the accounts receivable and related debt obligation remain on the company's consolidated balance sheets. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread (.40% at September 27, 2014), which is based on the company's credit ratings, or an effective interest rate of .62% at September 27, 2014. The facility fee is .40%.

At September 27, 2014 and December 31, 2013, the company had \$360,000 and \$420,000, respectively, in outstanding borrowings under the asset securitization program, which was included in "Long-term debt" in the company's consolidated balance sheets, and total collateralized accounts receivable of approximately \$1,543,118 and \$1,867,552, respectively, were held by AFC and were included in "Accounts receivable, net" in the company's consolidated balance sheets. Any accounts receivable held by AFC would likely not be available to other creditors of the company in the event of bankruptcy or insolvency proceedings before repayment of any outstanding borrowings under the asset securitization program.

Both the revolving credit facility and asset securitization program include terms and conditions that limit the incurrence of additional borrowings, limit the company's ability to pay cash dividends or repurchase stock, and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of September 27, 2014 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

In April 2014, the company entered into an agreement for an uncommitted line of credit. In September 2014, the company amended its uncommitted line of credit to increase its borrowing capacity from \$70,000 to \$100,000. There were no outstanding borrowings under the uncommitted line of credit at September 27, 2014.

During the first nine months of 2013, the company completed the sale of \$300,000 principal amount of 3.00% notes due in 2018 and \$300,000 principal amount of 4.50% notes due in 2023. The net proceeds of the offering of \$591,156 were used to refinance the company's 6.875% senior notes due July 2013 and for general corporate purposes.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

During the first nine months of 2013, the company redeemed \$332,107 principal amount of its 6.875% senior notes due July 2013. The related loss on the redemption for the first nine months of 2013 aggregated \$4,277 (\$2,627 net of related taxes or \$.03 per share on both a basic and diluted basis) and was recognized as a loss on prepayment of debt in the company's consolidated statements of operations.

Interest and other financing expense, net, includes interest and dividend income of \$2,369 and \$3,898 for the third quarter and first nine months of 2014 and \$3,272 and \$4,392 for the third quarter and first nine months of 2013, respectively.

Note H – Financial Instruments Measured at Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The company utilizes a fair value hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The fair value hierarchy has three levels of inputs that may be used to measure fair value:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 Quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The following table presents assets (liabilities) measured at fair value on a recurring basis at September 27, 2014:

	Level 1	Level 2	Level 3	Total
Available-for-sale securities	\$ 37,193	\$ —	\$ —	\$ 37,193
Interest rate swaps	—	(579)	—	(579)
Foreign exchange contracts	—	231	—	231
Contingent consideration	—	—	(10,779)	(10,779)
	<u>\$ 37,193</u>	<u>\$ (348)</u>	<u>\$ (10,779)</u>	<u>\$ 26,066</u>

The following table presents assets (liabilities) measured at fair value on a recurring basis at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Available-for-sale securities	\$ 69,857	\$ —	\$ —	\$ 69,857
Foreign exchange contracts	—	(654)	—	(654)
Contingent consideration	—	—	(5,845)	(5,845)
	<u>\$ 69,857</u>	<u>\$ (654)</u>	<u>\$ (5,845)</u>	<u>\$ 63,358</u>

The following table summarizes the Level 3 activity for the first nine months of 2014:

Balance as of December 31, 2013	\$ (5,845)
Fair value of initial contingent consideration	(5,853)
Change in fair value of contingent consideration included in earnings	604
Foreign currency translation adjustment	315
Balance as of September 27, 2014	<u>\$ (10,779)</u>

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

The change in the fair value of contingent consideration is included in "Restructuring, integration, and other charges," in the company's consolidated statements of operations.

During the first nine months of 2014 and 2013, there were no transfers of assets (liabilities) measured at fair value between the three levels of the fair value hierarchy.

Available-For-Sale Securities

The company has an 8.4% equity ownership interest in Marubun Corporation ("Marubun") and a portfolio of mutual funds with quoted market prices, all of which are accounted for as available-for-sale securities.

During the third quarter of 2014, the company sold its 1.9% equity ownership interest in WPG Holdings Co., Ltd. ("WPG"), for proceeds of \$40,542 and accordingly recorded a gain on sale of investment of \$29,743 (\$18,269 net of related taxes or \$.19 and \$.18 per share on a basic and diluted basis, respectively).

The fair value of the company's available-for-sale securities at September 27, 2014 is as follows:

	Marubun	Mutual Funds
Cost basis	\$ 10,016	\$ 15,780
Unrealized holding gain	5,394	6,003
Fair value	<u>\$ 15,410</u>	<u>\$ 21,783</u>

The fair value of the company's available-for-sale securities at December 31, 2013 is as follows:

	Marubun	WPG	Mutual Funds
Cost basis	\$ 10,016	10,798	\$ 15,614
Unrealized holding gain	2,709	24,903	5,817
Fair value	<u>\$ 12,725</u>	<u>\$ 35,701</u>	<u>\$ 21,431</u>

The fair value of these investments are included in "Other assets" in the company's consolidated balance sheets, and the related unrealized holding gains or losses are included in "Accumulated other comprehensive income" in the shareholders' equity section in the company's consolidated balance sheets.

Derivative Instruments

The company uses various financial instruments, including derivative instruments, for purposes other than trading. Certain derivative instruments are designated at inception as hedges and measured for effectiveness both at inception and on an ongoing basis. Derivative instruments not designated as hedges are marked-to-market each reporting period with any unrealized gains or losses recognized in earnings.

Interest Rate Swaps

The company occasionally enters into interest rate swap transactions that convert certain fixed-rate debt to variable-rate debt or variable-rate debt to fixed-rate debt in order to manage its targeted mix of fixed- and floating-rate debt. The company uses the hypothetical derivative method to assess the effectiveness of its interest rate swaps on a quarterly basis. The effective portion of the change in the fair value of interest rate swaps designated as fair value hedges is recorded as a change to the carrying value of the related hedged debt, and the effective portion of the change in fair value of interest rate swaps designated as cash flow hedges is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive income." The ineffective portion of the interest rate swap, if any, is recorded in "Interest and other financing expense, net" in the company's consolidated statements of operations.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

In April 2014, the company entered into an interest rate swap, with a notional amount of \$50,000. The swap modifies the company's interest rate exposure by effectively converting a portion of the fixed 6.00% notes to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective rate of 4.2% at September 27, 2014), through its maturity. The swap is classified as a fair value hedge and had a negative fair value of \$290 at September 27, 2014.

In April 2014, the company entered into an interest rate swap, with a notional amount of \$50,000. The swap modifies the company's interest rate exposure by effectively converting a portion of the fixed 6.875% senior debentures to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective rate of 5.5% at September 27, 2014), through its maturity. The swap is classified as a fair value hedge and had a negative fair value of \$289 at September 27, 2014.

In September 2011, the company entered into a ten-year forward-starting interest rate swap (the "2011 swap") which locked in a treasury rate of 2.63% on an aggregate notional amount of \$175,000. This swap managed the risk associated with changes in treasury rates and the impact of future interest payments. The 2011 swap related to the interest payments for anticipated debt issuances to replace the company's 6.875% senior notes due to mature in July 2013. The 2011 swap was classified as a cash flow hedge. In the first nine months of 2013, the company paid \$7,700 to terminate the 2011 swap upon issuance of the ten-year notes due in 2023. The fair value of the 2011 swap is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive income" and is being reclassified into income over the ten-year term of the notes due in 2023. For the 2011 swap, the company reclassified into income \$(165) and \$(489) for the third quarter and first nine months of 2014 and \$(157) and \$(87) for the third quarter and first nine months of 2013, respectively.

Foreign Exchange Contracts

The company enters into foreign exchange forward, option, or swap contracts (collectively, the "foreign exchange contracts") to mitigate the impact of changes in foreign currency exchange rates. These contracts are executed to facilitate the hedging of foreign currency exposures resulting from inventory purchases and sales and generally have terms of no more than six months. Gains or losses on these contracts are deferred and recognized when the underlying future purchase or sale is recognized or when the corresponding asset or liability is revalued. The company does not enter into foreign exchange contracts for trading purposes. The risk of loss on a foreign exchange contract is the risk of nonperformance by the counterparties, which the company minimizes by limiting its counterparties to major financial institutions. The fair value of the foreign exchange contracts are estimated using market quotes. The notional amount of the foreign exchange contracts at September 27, 2014 and December 31, 2013 was \$365,568 and \$445,684, respectively.

The fair values of derivative instruments in the company's consolidated balance sheets are as follows:

		Asset (Liability) Derivatives	
		Fair Value	
	Balance Sheet Location	September 27, 2014	December 31, 2013
Derivative instruments designated as hedges:			
Interest rate swaps designated as fair value hedges	Other liabilities	\$ (579)	\$ —
Foreign exchange contracts designated as cash flow hedges	Other current assets	850	368
Foreign exchange contracts designated as cash flow hedges	Accrued expenses	(616)	(203)
Total derivative instruments designated as hedging instruments		(345)	165
Derivative instruments not designated as hedges:			
Foreign exchange contracts	Other current assets	3,047	1,275
Foreign exchange contracts	Accrued expenses	(3,050)	(2,094)
Total derivative instruments not designated as hedging instruments		(3)	(819)
Total		\$ (348)	\$ (654)

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

The effect of derivative instruments on the company's consolidated statements of operations is as follows:

	Gain (Loss) Recognized in Income			
	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Fair value hedges:				
Interest rate swaps (a)	\$ —	\$ —	\$ —	\$ —
Total	\$ —	\$ —	\$ —	\$ —
Derivative instruments not designated as hedges:				
Foreign exchange contracts (b)	\$ (376)	\$ 51	\$ (148)	\$ (889)
Total	\$ (376)	\$ 51	\$ (148)	\$ (889)

	Cash Flow Hedges			
	Quarter Ended		Nine Months Ended	
	September 27, 2014		September 27, 2014	
	Interest Rate Swaps (c)	Foreign Exchange Contracts (d)	Interest Rate Swaps (c)	Foreign Exchange Contracts (d)
Effective portion:				
Gain (loss) recognized in other comprehensive income	\$ —	\$ 438	\$ —	\$ 48
Gain (loss) reclassified into income	\$ (165)	\$ (185)	\$ (489)	\$ (118)
Ineffective portion:				
Gain (loss) recognized in income	\$ —	\$ —	\$ —	\$ —

	Cash Flow Hedges			
	Quarter Ended		Nine Months Ended	
	September 28, 2013		September 28, 2013	
	Interest Rate Swaps (c)	Foreign Exchange Contracts (d)	Interest Rate Swaps (c)	Foreign Exchange Contracts (d)
Effective portion:				
Gain (loss) recognized in other comprehensive income	\$ —	\$ (253)	\$ 3,132	\$ (753)
Gain (loss) reclassified into income	\$ (157)	\$ (48)	\$ (379)	\$ 432
Ineffective portion:				
Gain (loss) recognized in income	\$ —	\$ —	\$ 292	\$ —

- (a) The amount of gain (loss) recognized in income on derivatives is recorded in "Interest and other financing expense, net" in the company's consolidated statements of operations.
- (b) The amount of gain (loss) recognized in income on derivatives is recorded in "Cost of sales" in the company's consolidated statements of operations.
- (c) Both the effective and ineffective portions of any gain (loss) reclassified or recognized in income are recorded in "Interest and other financing expense, net" in the company's consolidated statements of operations.
- (d) Both the effective and ineffective portions of any gain (loss) reclassified or recognized in income are recorded in "Cost of sales" in the company's consolidated statements of operations.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Contingent Consideration

In connection with one of the 2014 acquisitions, payment of a portion of the respective purchase price is contingent upon the achievement of certain operating results, with maximum possible payouts of \$9,000 over an eighteen-month period. Additionally, in connection with three acquisitions prior to 2014, payment of a portion of the respective purchase price is contingent upon the achievement of certain operating results, with maximum possible payouts of \$6,000 over a two-year period and \$23,400 at the end of a three-year period. The company estimated the fair value of the contingent consideration as the present value of the expected contingent payments, determined using the weighted probabilities of the possible payments. The company reassesses the fair value of the contingent consideration on a quarterly basis. Contingent consideration of \$7,729 and \$3,050 was included in "Accrued Expenses" and "Other liabilities" in the company's consolidated balance sheet as of September 27, 2014, respectively. Contingent consideration of \$2,123 and \$3,722 was included in "Accrued Expenses" and "Other liabilities" in the company's consolidated balance sheet as of December 31, 2013, respectively. A twenty percent increase or decrease in projected operating performance over the remaining performance period would not result in a material change in the fair value of the contingent consideration recorded as of September 27, 2014.

Other

The carrying amount of cash and cash equivalents, accounts receivable, net, and accounts payable approximate their fair value due to the short maturities of these financial instruments.

Note I – Restructuring, Integration, and Other Charges

During the third quarters of 2014 and 2013, the company recorded restructuring, integration, and other charges of \$3,935 (\$2,556 net of related taxes or \$.03 per share on both a basic and diluted basis) and \$22,568 (\$16,077 net of related taxes or \$.16 per share on both a basic and diluted basis), respectively.

During the first nine months of 2014 and 2013, the company recorded restructuring, integration, and other charges of \$25,181 (\$18,102 net of related taxes or \$.18 per share on both a basic and diluted basis) and \$74,402 (\$52,260 net of related taxes or \$.51 and \$.50 per share on a basic and diluted basis, respectively), respectively.

The following table presents the components of the restructuring, integration, and other charges:

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Restructuring and integration charge - current period actions	\$ 4,965	\$ 20,007	\$ 26,371	\$ 65,871
Restructuring and integration charges (credits) - actions taken in prior periods	305	34	(46)	955
Acquisition-related expenses (credits)	(1,335)	2,527	(1,144)	7,576
	<u>\$ 3,935</u>	<u>\$ 22,568</u>	<u>\$ 25,181</u>	<u>\$ 74,402</u>

2014 Restructuring and Integration Charge

The following table presents the components of the 2014 restructuring and integration charge of \$26,371 and activity in the related restructuring and integration accrual for the first nine months of 2014:

	Personnel Costs	Facilities Costs	Other	Total
Restructuring and integration charge	\$ 20,722	\$ 3,957	\$ 1,692	\$ 26,371
Payments	(16,111)	(1,698)	(963)	(18,772)
Non-cash usage	—	—	(729)	(729)
Foreign currency translation	(277)	(33)	—	(310)
Balance as of September 27, 2014	<u>\$ 4,334</u>	<u>\$ 2,226</u>	<u>\$ —</u>	<u>\$ 6,560</u>

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

The restructuring and integration charge of \$26,371 for the first nine months of 2014 includes personnel costs of \$20,722, facilities costs of \$3,957, and other costs of \$1,692. These restructuring initiatives are due to the company's continued efforts to lower cost and drive operational efficiency. Integration costs are primarily related to the integration of acquired businesses within the company's pre-existing business and the consolidation of certain operations.

2013 Restructuring and Integration Charge

The following table presents the activity in the restructuring and integration accrual for the first nine months of 2014 related to the 2013 restructuring and integration:

	Personnel Costs	Facilities Costs	Other	Total
Balance as of December 31, 2013	\$ 25,721	\$ 5,808	\$ 208	\$ 31,737
Restructuring and integration charge (credit)	(998)	1,128	—	130
Payments	(21,850)	(4,516)	(97)	(26,463)
Foreign currency translation	(323)	(47)	(4)	(374)
Balance as of September 27, 2014	<u>\$ 2,550</u>	<u>\$ 2,373</u>	<u>\$ 107</u>	<u>\$ 5,030</u>

Restructuring and Integration Accruals Related to Actions Taken Prior to 2013

The following table presents the activity in the restructuring and integration accruals for the first nine months of 2014 related to restructuring and integration actions taken prior to 2013:

	Personnel Costs	Facilities Costs	Total
Balance as of December 31, 2013	\$ 1,822	\$ 2,592	\$ 4,414
Restructuring and integration credits	(160)	(16)	(176)
Payments	(999)	(1,669)	(2,668)
Foreign currency translation	(80)	38	(42)
Balance as of September 27, 2014	<u>\$ 583</u>	<u>\$ 945</u>	<u>\$ 1,528</u>

Restructuring and Integration Accrual Summary

In summary, the restructuring and integration accruals aggregate \$13,118 at September 27, 2014, all of which are expected to be spent in cash, and are expected to be utilized as follows:

- The accruals for personnel costs totaling \$7,467 relate to the termination of personnel and are primarily expected to be spent within one year.
- The accruals for facilities totaling \$5,544 relate to vacated leased properties that have scheduled payments of \$2,012 in 2014, \$2,330 in 2015, \$879 in 2016, \$134 in 2017, and \$189 in 2018.
- Other accruals of \$107 is expected to be spent within one year.

Acquisition-Related Expenses

Included in restructuring, integration, and other charges for the third quarter of 2014 are acquisition-related expenses (credits) of \$(1,335) primarily consisting of changes in the fair value of contingent consideration and other credits, offset, in part, by professional fees and other costs associated with the Wyle Electronics ("Wyle") acquisition. Included in restructuring, integration, and other charges for the first nine months of 2014 are acquisition-related expenses (credits) of \$(1,144) primarily consisting of an insurance recovery related to environmental matters in connection with the Wyle acquisition, offset, in part, by professional fees directly related to recent acquisition activity.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Included in restructuring, integration, and other charges for the third quarter and first nine months of 2013 are acquisition-related expenses of \$2,527 and \$7,576, respectively, primarily consisting of charges related to contingent consideration for acquisitions completed in prior years which were conditional upon the financial performance of the acquired companies and the continued employment of the selling shareholders, as well as professional fees directly related to recent acquisition activity.

Note J – Net Income per Share

The following table presents the computation of net income per share on a basic and diluted basis (shares in thousands):

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net income attributable to shareholders	\$ 146,864	\$ 96,779	\$ 381,868	\$ 264,589
Weighted-average shares outstanding - basic	98,631	100,750	99,336	103,269
Net effect of various dilutive stock-based compensation awards	1,235	919	1,273	1,157
Weighted-average shares outstanding - diluted	99,866	101,669	100,609	104,426
Net income per share:				
Basic	\$ 1.49	\$.96	\$ 3.84	\$ 2.56
Diluted (a)	\$ 1.47	\$.95	\$ 3.80	\$ 2.53

- (a) Stock-based compensation awards for the issuance of 317 and 271 shares for the third quarter and first nine months of 2014 and 831 and 871 for the third quarter and first nine months of 2013, respectively, were excluded from the computation of net income per share on a diluted basis as their effect was anti-dilutive.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Note K – Shareholders' Equity

Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in accumulated other comprehensive income (loss):

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Foreign Currency Translation Adjustment:				
Other comprehensive income (loss) before reclassifications (a)	\$ (149,533)	\$ 80,764	\$ (174,195)	\$ 29,385
Amounts reclassified into income	185	48	118	(432)
Unrealized Gain (Loss) on Investment Securities, Net:				
Other comprehensive income (loss) before reclassifications	(995)	864	4,735	(533)
Amounts reclassified into income	(18,269)	—	(18,269)	—
Unrealized Gain on Interest Rate Swaps Designated as Cash Flow Hedges, Net:				
Other comprehensive income before reclassifications	—	—	—	1,923
Amounts reclassified into income	101	96	300	54
Employee Benefit Plan Items, Net:				
Other comprehensive income before reclassifications	36	27	109	77
Amounts reclassified into income	515	717	1,548	2,229
Net change in accumulated other comprehensive income (loss)	\$ (167,960)	\$ 82,516	\$ (185,654)	\$ 32,703

- (a) Includes intra-entity foreign currency transactions that are of a long-term investment nature of \$29,586 and \$49,056 for the third quarter and first nine months of 2014 and \$(6,365) and \$(14,967) for the third quarter and first nine months of 2013, respectively.

Share-Repurchase Programs

In July 2013, the company's Board of Directors (the "Board") approved the repurchase of up to \$200,000 of the company's common stock through a share-repurchase program. In May 2014, the company's Board approved an additional repurchase of up to \$200,000 of the company's common stock. As of September 27, 2014, the company repurchased 4,037,375 shares under these programs with a market value of \$223,560 at the dates of repurchase, of which 852,286 shares with a market value of \$49,988 were repurchased during the third quarter of 2014.

Subsequent to quarter end, the company repurchased 1,140,967 shares through October 24, 2014 under the May 2014 program with a market value of \$55,383 at the dates of repurchase.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Note L – Employee Benefit Plans

The company maintains an unfunded Arrow supplemental executive retirement plan ("SERP") under which the company will pay supplemental pension benefits to certain employees upon retirement. Additionally, as part of the company's acquisition of Wyle in 2000, the company acquired a defined benefit plan from Wyle which provided retirement benefits for certain employees. Benefits under this plan were frozen as of December 31, 2000. The components of the net periodic benefit costs for the Arrow SERP and Wyle benefit plan are as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Components of net periodic benefit costs:				
Service cost	\$ 333	\$ 532	\$ 999	\$ 1,596
Interest cost	2,205	1,967	6,615	5,901
Expected return on plan assets	(1,756)	(1,629)	(5,268)	(4,887)
Amortization of net loss	821	1,147	2,463	3,441
Amortization of prior service cost	11	11	33	33
Net periodic benefit costs	\$ 1,614	\$ 2,028	\$ 4,842	\$ 6,084

Note M – Contingencies

Environmental Matters

In connection with the purchase of Wyle in August 2000, the company acquired certain of the then outstanding obligations of Wyle, including Wyle's indemnification obligations to the purchasers of its Wyle Laboratories division for environmental clean-up costs associated with any then existing contamination or violation of environmental regulations. Under the terms of the company's purchase of Wyle from the sellers, the sellers agreed to indemnify the company for certain costs associated with the Wyle environmental obligations, among other things. During 2012, the company entered into a settlement agreement with the sellers pursuant to which the sellers paid \$110,000 and the company released the sellers from their indemnification obligation. As part of the settlement agreement the company accepted responsibility for any potential subsequent costs incurred related to the Wyle matters. The company is aware of two Wyle Laboratories facilities (in Huntsville, Alabama and Norco, California) at which contaminated groundwater was identified and will require environmental remediation. In addition, the company was named as a defendant in several lawsuits related to the Norco facility and a third site in El Segundo, California which have now been settled to the satisfaction of the parties.

The company expects these environmental liabilities to be resolved over an extended period of time. Costs are recorded for environmental matters when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accruals for environmental liabilities are adjusted periodically as facts and circumstances change, assessment and remediation efforts progress, or as additional technical or legal information becomes available. Environmental liabilities are difficult to assess and estimate due to various unknown factors such as the timing and extent of remediation, improvements in remediation technologies, and the extent to which environmental laws and regulations may change in the future. Accordingly the company cannot presently fully estimate the ultimate potential costs related to these sites until such time as a substantial portion of the investigation at the sites is completed and remedial action plans are developed and, in some instances implemented. To the extent that future environmental costs exceed amounts currently accrued by the company, net income would be adversely impacted and such impact could be material.

Accruals for environmental liabilities are included in "Accrued expenses" and "Other liabilities" in the company's consolidated balance sheets.

As successor-in-interest to Wyle, the company is the beneficiary of various Wyle insurance policies that covered liabilities arising out of operations at Norco and Huntsville. To date, the company has recovered approximately \$37,000 from certain insurance carriers relating to environmental clean-up matters at the Norco site. The company is considering the best way to pursue its potential claims against insurers regarding liabilities arising out of operations at Huntsville. The resolution of these matters will

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

likely take several years. The company has not recorded a receivable for any potential future insurance recoveries related to the Norco and Huntsville environmental matters, as the realization of the claims for recovery are not deemed probable at this time.

The company believes the settlement amount together with potential recoveries from various insurance policies covering environmental remediation and related litigation will be sufficient to cover any potential future costs related to the Wyle acquisition; however, it is possible unexpected costs beyond those anticipated could occur.

Environmental Matters - Huntsville

Characterization of the extent of contaminated soil and groundwater continues at the site in Huntsville, Alabama. Under the direction of the Alabama Department of Environmental Management, approximately \$4,000 was spent to date. The pace of the ongoing remedial investigations, project management, and regulatory oversight is likely to increase somewhat and though the complete scope of the activities is not yet known, the company currently estimates additional investigative and related expenditures at the site of approximately \$500 to \$750. The nature and scope of both feasibility studies and subsequent remediation at the site has not yet been determined, but assuming the outcome includes source control and certain other measures, the cost is estimated to be between \$3,000 and \$4,000.

Despite the amount of work undertaken and planned to date, the company is unable to estimate any potential costs in addition to those discussed above because the complete scope of the work is not yet known, and, accordingly, the associated costs have yet to be determined.

Environmental Matters - Norco

In October 2003, the company entered into a consent decree with Wyle Laboratories and the California Department of Toxic Substance Control (the "DTSC") in connection with the Norco site. In April 2005, a Remedial Investigation Work Plan was approved by DTSC that provided for site-wide characterization of known and potential environmental issues. Investigations performed in connection with this work plan and a series of subsequent technical memoranda continued until the filing of a final Remedial Investigation Report early in 2008. Work is under way pertaining to the remediation of contaminated groundwater at certain areas on the Norco site and of soil gas in a limited area immediately adjacent to the site. In 2008, a hydraulic containment system was installed to capture and treat groundwater before it moves into the adjacent offsite area. In September 2013, the DTSC approved the final Remedial Action Plan ("RAP") and work is currently progressing under the RAP. The approval of the RAP includes the potential for additional remediation action after the five year review of the hydraulic containment system if the review finds that contaminants have not been sufficiently reduced in the offsite area.

Approximately \$46,000 was spent to date on remediation, project management, regulatory oversight, and investigative and feasibility study activities. The company currently estimates that these activities will give rise to an additional \$16,820 to \$24,500. Project management and regulatory oversight include costs incurred by project consultants for project management and costs billed by DTSC to provide regulatory oversight.

Despite the amount of work undertaken and planned to date, the company is unable to estimate any potential costs in addition to those discussed above because the complete scope of the work under the RAP is not yet known, and, accordingly, the associated costs have yet to be determined.

Tekelec Matter

In 2000, the company purchased Tekelec Europe SA ("Tekelec") from Tekelec Airtronic SA and certain other selling shareholders. Subsequent to the closing of the acquisition, Tekelec received a product liability claim in the amount of €11,333. The product liability claim was the subject of a French legal proceeding started by the claimant in 2002, under which separate determinations were made as to whether the products that are subject to the claim were defective and the amount of damages sustained by the purchaser. The manufacturer of the products also participated in this proceeding. The claimant commenced legal proceedings against Tekelec and its insurers to recover damages in the amount of €3,742 and expenses of €312 plus interest. In May 2012, the French court ruled in favor of Tekelec and dismissed the plaintiff's claims. However, that decision has been appealed by the plaintiff. The company believes that any amount in addition to the amount accrued by the company would not materially adversely impact the company's consolidated financial position, liquidity, or results of operations.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Antitrust Investigation

On January 21, 2014, the company received a Civil Investigative Demand in connection with an investigation by the Federal Trade Commission ("FTC") relating generally to the use of a database program (the "database program") that has operated for more than ten years under the auspices of the Global Technology Distribution Council ("GTDC"), a trade group of which the company is a member. Under the database program, certain members of the GTDC who participate in the program provide sales data to a third party independent contractor chosen by the GTDC. The data is aggregated by the third party and the aggregated data is made available to the program participants. The company understands that other members participating in the database program have received similar Civil Investigative Demands.

In April 2014, the company responded to the Civil Investigative Demand. The Civil Investigative Demand merely sought information, and no proceedings have been instituted against any person. The company continues to believe that there has not been any conduct by the company or its employees that would be actionable under the antitrust laws in connection with its participation in the database program. Since this matter is at a preliminary stage, it is not possible to predict the potential impact, if any, of the Civil Investigative Demand or whether any actions may be instituted by the FTC against any person.

Other

From time to time, in the normal course of business, the company may become liable with respect to other pending and threatened litigation, environmental, regulatory, labor, product, and tax matters. While such matters are subject to inherent uncertainties, it is not currently anticipated that any such matters will materially impact the company's consolidated financial position, liquidity, or results of operations.

Note N – Segment and Geographic Information

The company is a global provider of products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. The company distributes electronic components to original equipment manufacturers and contract manufacturers through its global components business segment and provides enterprise computing solutions to value-added resellers through its global ECS business segment. As a result of the company's philosophy of maximizing operating efficiencies through the centralization of certain functions, selected fixed assets and related depreciation, as well as borrowings, are not directly attributable to the individual operating segments and are included in the corporate business segment.

Sales and operating income (loss), by segment, are as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Sales:				
Global components	\$ 3,731,289	\$ 3,467,285	\$ 10,721,814	\$ 10,058,555
Global ECS	1,881,927	1,580,926	5,649,981	5,145,370
Consolidated	<u>\$ 5,613,216</u>	<u>\$ 5,048,211</u>	<u>\$ 16,371,795</u>	<u>\$ 15,203,925</u>
Operating income (loss):				
Global components	\$ 179,451	\$ 164,096	\$ 500,239	\$ 432,534
Global ECS	69,172	59,757	229,320	202,070
Corporate (a)	(48,807)	(61,117)	(143,734)	(178,441)
Consolidated	<u>\$ 199,816</u>	<u>\$ 162,736</u>	<u>\$ 585,825</u>	<u>\$ 456,163</u>

- (a) Includes restructuring, integration, and other charges of \$3,935 and \$25,181 for the third quarter and first nine months of 2014 and \$22,568 and \$74,402 for the third quarter and first nine months of 2013, respectively.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Total assets, by segment, are as follows:

	September 27, 2014	December 31, 2013
Global components	\$ 7,129,457	\$ 6,596,255
Global ECS	3,547,180	4,807,400
Corporate	634,889	657,228
Consolidated	<u>\$ 11,311,526</u>	<u>\$ 12,060,883</u>

Sales, by geographic area, are as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Americas (b)	\$ 2,775,146	\$ 2,621,398	\$ 7,975,204	\$ 7,868,170
EMEA	1,568,277	1,355,152	4,984,150	4,287,446
Asia/Pacific	1,269,793	1,071,661	3,412,441	3,048,309
Consolidated	<u>\$ 5,613,216</u>	<u>\$ 5,048,211</u>	<u>\$ 16,371,795</u>	<u>\$ 15,203,925</u>

(b) Includes sales related to the United States of \$2,540,179 and \$7,296,753 for the third quarter and first nine months of 2014 and \$2,405,238 and \$7,212,401 for the third quarter and first nine months of 2013, respectively.

Property, plant, and equipment, net, by geographic area, is as follows:

	September 27, 2014	December 31, 2013
Americas (c)	\$ 533,235	\$ 526,640
EMEA	79,085	84,383
Asia/Pacific	22,391	21,366
Consolidated	<u>\$ 634,711</u>	<u>\$ 632,389</u>

(c) Includes net property, plant, and equipment related to the United States of \$530,973 and \$525,080 at September 27, 2014 and December 31, 2013, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Arrow Electronics, Inc. (the "company") is a global provider of products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. The company provides one of the broadest product offerings in the electronic components and enterprise computing solutions distribution industries and a wide range of value-added services to help customers introduce innovative products, reduce their time to market, and enhance their overall competitiveness. The company has two business segments, the global components business segment and the global enterprise computing solutions ("ECS") business segment. The company distributes electronic components to original equipment manufacturers and contract manufacturers through its global components business segment and provides enterprise computing solutions to value-added resellers through its global ECS business segment. For the first nine months of 2014, approximately 65% of the company's sales were from the global components business segment, and approximately 35% of the company's sales were from the global ECS business segment.

The company's financial objectives are to grow sales faster than the market, increase the markets served, grow profits faster than sales, and increase return on invested capital. To achieve its objectives, the company seeks to capture significant opportunities to grow across products, markets, and geographies. To supplement its organic growth strategy, the company continually evaluates strategic acquisitions to broaden its product and value-added service offerings, increase its market penetration, and/or expand its geographic reach.

Subsequent to quarter end, the company completed two acquisitions for a purchase price of approximately \$37.0 million in cash. The impact of these acquisitions is not expected to have a material impact on the company's consolidated financial position or results of operations.

During the first nine months of 2014, the company completed three acquisitions. During 2013, the company completed five acquisitions, including the acquisition of CSS Computer Security Solutions Holding GmbH, doing business as ComputerLinks AG. Refer to Note C, "Acquisitions," of the Notes to the Consolidated Financial Statements for further discussion of the company's recent acquisition activity.

Executive Summary

Consolidated sales for the third quarter and first nine months of 2014 increased by 11.2% and 7.7%, respectively, compared with the year-earlier periods. The increase for the third quarter and first nine months of 2014 was driven by an increase in the global components business segment sales of 7.6% and 6.6%, respectively, and an increase in the global ECS business segment sales of 19.0% and 9.8%, respectively. The translation of the company's international financial statements into U.S. dollars resulted in an increase in consolidated sales of 1.0% for the first nine months of 2014, compared with the year-earlier period, due to a weaker U.S. dollar.

Net income attributable to shareholders increased to \$146.9 million and \$381.9 million in the third quarter and first nine months of 2014, respectively, compared with net income attributable to shareholders of \$96.8 million and \$264.6 million in the year-earlier periods. The following items impacted the comparability of the company's results:

Third quarters of 2014 and 2013:

- restructuring, integration, and other charges of \$3.9 million (\$2.6 million net of related taxes) in 2014 and \$22.6 million (\$16.1 million net of related taxes) in 2013;
- identifiable intangible asset amortization of \$11.1 million (\$9.1 million net of related taxes) in 2014 and \$8.9 million (\$7.1 million net of related taxes) in 2013; and
- a gain on sale of investment of \$29.7 million (\$18.3 million net of related taxes) in 2014.

First nine months of 2014 and 2013:

- restructuring, integration, and other charges of \$25.2 million (\$18.1 million net of related taxes) in 2014 and \$74.4 million (\$52.3 million net of related taxes) in 2013;
- identifiable intangible asset amortization of \$32.9 million (\$26.9 million net of related taxes) in 2014 and \$26.8 million (\$21.2 million net of related taxes) in 2013;
- a gain on sale of investment of \$29.7 million (\$18.3 million net of related taxes) in 2014;
- a loss on prepayment of debt of \$4.3 million (\$2.6 million net of related taxes) in 2013; and
- an increase in the provision for income taxes of \$5.4 million and interest expense of \$1.5 million (\$0.9 million net of related taxes) relating to the settlement of certain international tax matters in 2013.

Excluding the aforementioned items, net income attributable to shareholders for the third quarter of 2014 increased compared to the year-earlier period, primarily due to an increase in sales in the global components and global ECS segments, and the impact of recent acquisitions. Excluding the aforementioned items, net income attributable to shareholders for the first nine months of 2014 increased compared to the year-earlier period, primarily due to an increase in sales in the global components and global ECS segments, the impact of recent acquisitions, and the effect of a weaker U.S. dollar on the translation of the company's financial statements.

Certain Non-GAAP Financial Information

In addition to disclosing financial results that are determined in accordance with accounting principles generally accepted in the United States ("GAAP"), the company also discloses certain non-GAAP financial information, including:

- Sales, income, or expense items as adjusted for the impact of changes in foreign currencies (referred to as "impact of changes in foreign currencies") and the impact of acquisitions by adjusting the company's prior periods to include the operating results of businesses acquired, including the amortization expense related to acquired intangible assets, as if the acquisitions had occurred at the beginning of the period presented (referred to as "impact of acquisitions");
- Operating income as adjusted to exclude identifiable intangible asset amortization and restructuring, integration, and other charges; and
- Net income attributable to shareholders as adjusted to exclude identifiable intangible asset amortization, restructuring, integration, and other charges, gain on sale of investment, loss on prepayment of debt, and settlement of certain international tax matters.

Management believes that providing this additional information is useful to the reader to better assess and understand the company's operating performance, especially when comparing results with previous periods, primarily because management typically monitors the business adjusted for these items in addition to GAAP results. However, analysis of results on a non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

Sales

Substantially all of the company's sales are made on an order-by-order basis, rather than through long-term sales contracts. As such, the nature of the company's business does not provide for the visibility of material forward-looking information from its customers and suppliers beyond a few months.

Following is an analysis of net sales by reportable segment (in millions):

	Quarter Ended			Nine Months Ended		
	September 27, 2014	September 28, 2013	% Change	September 27, 2014	September 28, 2013	% Change
Consolidated sales, as reported	\$ 5,613	\$ 5,048	11.2%	\$ 16,372	\$ 15,204	7.7 %
Impact of changes in foreign currencies	—	(3)		—	105	
Impact of acquisitions	15	274		99	869	
Consolidated sales, as adjusted	\$ 5,628	\$ 5,319	5.8%	\$ 16,471	\$ 16,178	1.8 %
Global components sales, as reported	\$ 3,731	\$ 3,467	7.6%	\$ 10,722	\$ 10,059	6.6 %
Impact of changes in foreign currencies	—	3		—	73	
Impact of acquisitions	11	81		63	241	
Global components sales, as adjusted	\$ 3,742	\$ 3,551	5.4%	\$ 10,785	\$ 10,373	4.0 %
Global ECS sales, as reported	\$ 1,882	\$ 1,581	19.0%	\$ 5,650	\$ 5,145	9.8 %
Impact of changes in foreign currencies	—	(6)		—	32	
Impact of acquisitions	3	192		36	628	
Global ECS sales, as adjusted	\$ 1,885	\$ 1,767	6.7%	\$ 5,686	\$ 5,805	(2.1)%

Consolidated sales for the third quarter and first nine months of 2014 increased by \$565.0 million, or 11.2%, and \$1.17 billion, or 7.7%, respectively, compared with the year-earlier periods. The increase for the third quarter and first nine months of 2014 was driven by an increase in global components business segment sales of \$264.0 million, or 7.6%, and \$663.3 million, or 6.6%, respectively, and by an increase in global ECS business segment sales of \$301.0 million or 19.0%, and \$504.6 million or 9.8%, respectively, compared with the year-earlier periods. The translation of the company's international financial statements into U.S. dollars resulted in an increase in consolidated sales of 1.0% for the first nine months of 2014, compared with the year-earlier period, due to a weaker U.S. dollar. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's consolidated sales increased by 5.8% for the third quarter of 2014 and increased by 1.8% for the first nine months of 2014, compared with the year-earlier periods.

In the global components business segment, sales for the third quarter and first nine months of 2014 increased 7.6% and 6.6%, respectively, compared with the year-earlier periods primarily due to an increase in demand for products worldwide, the impact of recently acquired businesses, and the impact of a weaker U.S. dollar on the translation of the company's international financial statements. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's global components business segment sales increased by 5.4% and 4.0% for the third quarter and first nine months of 2014, respectively, compared with the year-earlier periods.

In the global ECS business segment, sales for the third quarter and first nine months of 2014 increased 19.0% and 9.8%, respectively, compared with the year-earlier periods, primarily driven by growth in services and software, offset, in part, by a decrease in demand for servers. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's global ECS business segment sales increased by 6.7% and decreased by 2.1% for the third quarter and first nine months of 2014, respectively, compared with the year-earlier periods.

Gross Profit

Following is an analysis of gross profit (in millions):

	Quarter Ended			Nine Months Ended		
	September 27, 2014	September 28, 2013	% Change	September 27, 2014	September 28, 2013	% Change
Consolidated gross profit, as reported	\$ 729	\$ 672	8.5%	\$ 2,180	\$ 2,003	8.8%
Impact of changes in foreign currencies	—	(1)		—	16	
Impact of acquisitions	3	46		23	145	
Consolidated gross profit, as adjusted	\$ 732	\$ 717	2.1%	\$ 2,203	\$ 2,164	1.8%
Consolidated gross profit as a percentage of sales, as reported	13.0%	13.3%	(30) bps	13.3%	13.2%	10 bps
Consolidated gross profit as a percentage of sales, as adjusted	13.0%	13.5%	(50) bps	13.4%	13.4%	flat

The company recorded gross profit of \$728.7 million and \$2.18 billion in the third quarter and first nine months of 2014, respectively, compared with \$671.7 million and \$2.00 billion in the year-earlier periods. The increase in gross profit was primarily due to the aforementioned 11.2% and 7.7% increase in sales during the third quarter and first nine months of 2014, respectively. Gross profit margins decreased approximately 30 basis points in the third quarter of 2014 and increased approximately 10 basis points in the first nine months of 2014, compared with the year-earlier periods. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's consolidated gross profit margins decreased approximately 50 basis points in the third quarter of 2014 and remained flat in the first nine months of 2014, compared with the year-earlier periods. The decrease in the third quarter of 2014 is primarily due to a change in geographic mix with Asia Pacific components being a larger percentage of the global components' consolidated sales compared with the year-earlier period. The gross profit margin also decreased in the global ECS business segment compared with the year-earlier period. The gross profit margins of products sold in the global components business segment are typically higher than the gross profit margins of products in the global ECS business segment and the gross profit margins of the components sold in the Americas and EMEA (Europe, Middle East, and Africa) tend to be higher than the gross profit margins of products in the Asia Pacific region. The financial impact of the lower gross profit margins in the global ECS business segment and the Asia Pacific region were offset, in part, by lower operating costs in these businesses relative to the company's other businesses.

Selling, General, and Administrative Expenses and Depreciation and Amortization

Following is an analysis of operating expenses (in millions):

	Quarter Ended			% Change	Nine Months Ended			% Change
	September 27, 2014	September 28, 2013			September 27, 2014	September 28, 2013		
Selling, general, and administrative expenses, as reported	\$ 486	\$ 454	7.0%		\$ 1,454	\$ 1,376	5.6%	
Depreciation and amortization, as reported	39	32	20.5%		115	97	19.5%	
Operating expenses, as reported	525	486	7.9%		1,569	1,473	6.5%	
Impact of changes in foreign currencies	—	—			—	13		
Impact of acquisitions	2	40			16	125		
Operating expenses, as adjusted	\$ 527	\$ 526	flat		\$ 1,585	\$ 1,611	(1.6)%	

Selling, general, and administrative expenses increased by \$31.9 million, or 7.0%, in the third quarter of 2014 on a sales increase of 11.2%, and increased by \$77.5 million, or 5.6%, in the first nine months of 2014 on a sales increase of 7.7%, compared with the year-earlier periods, primarily due to recent acquisitions. Selling, general, and administrative expenses, as a percentage of sales were 8.7% and 8.9% for the third quarter and first nine months of 2014, respectively, compared with 9.0% and 9.1% in the year-earlier periods.

Depreciation and amortization expense increased by \$6.6 million, or 20.5%, and \$18.8 million, or 19.5%, for the third quarter and first nine months of 2014, compared with the year-earlier periods, primarily due to recent acquisitions and further implementation of the company's enterprise resource planning ("ERP") initiative. Included in depreciation and amortization expense is identifiable intangible asset amortization of \$11.1 million (\$9.1 million net of related taxes or \$.09 per share on both a basic and diluted basis) and \$32.9 million (\$26.9 million net of related taxes or \$.27 per share on both a basic and diluted basis) for the third quarter and first nine months of 2014, respectively, and \$8.9 million (\$7.1 million net of related taxes or \$.07 per share on both a basic and diluted basis) and \$26.8 million (\$21.2 million net of related taxes or \$.21 and \$.20 per share on a basic and diluted basis, respectively) for the third quarter and first nine months of 2013, respectively.

Adjusted for the impact of changes in foreign currencies and acquisitions, operating expenses remained flat for the third quarter of 2014 and decreased 1.6% in the first nine months of 2014.

Restructuring, Integration, and Other Charges

2014 Charges

The company recorded restructuring, integration, and other charges of \$3.9 million (\$2.6 million net of related taxes or \$.03 per share on both a basic and diluted basis) and \$25.2 million (\$18.1 million net of related taxes or \$.18 per share on both a basic and diluted basis) for the third quarter and first nine months of 2014, respectively. Included in the restructuring, integration, and other charges for the third quarter and first nine months of 2014 are restructuring and integration charges of \$5.0 million and \$26.4 million, respectively, related to initiatives taken by the company to improve operating efficiencies. Also included in the restructuring, integration, and other charges for the third quarter and first nine months of 2014 are charges (credits) of \$.3 million and \$(.05) million related to restructuring and integration actions taken in prior periods and acquisition-related expenses (credits) of \$(1.3) million and \$(1.1) million, respectively.

The restructuring and integration charge of \$5.0 million and \$26.4 million for the third quarter and first nine months of 2014, respectively, includes personnel costs of \$2.5 million and \$20.7 million, facilities costs of \$2.0 million and \$4.0 million, and other costs of \$.5 million and \$1.7 million, respectively. These restructuring initiatives are due to the company's continued efforts to lower cost and drive operational efficiency. Integration costs are primarily related to the integration of acquired businesses within the company's pre-existing business and the consolidation of certain operations.

2013 Charges

The company recorded restructuring, integration, and other charges of \$22.6 million (\$16.1 million net of related taxes or \$.16 per share on both a basic and diluted basis) and \$74.4 million (\$52.3 million net of related taxes or \$.51 and \$.50 per share on a basic and diluted basis, respectively) for the third quarter and first nine months of 2013, respectively. Included in the restructuring, integration, and other charges for the third quarter and first nine months of 2013 are restructuring and integration charges of \$20.0 million and \$65.9 million, respectively, related to initiatives taken by the company to improve operating efficiencies and acquisition-related expenses of \$2.5 million and \$7.6 million, respectively. Also included in the restructuring, integration, and other charges for the first nine months of 2013 are charges of \$1.0 million related to restructuring and integration actions taken in prior periods.

The restructuring and integration charge of \$20.0 million and \$65.9 million for the third quarter and first nine months of 2013, respectively, includes personnel costs of \$15.9 million and \$56.6 million, facilities costs of \$3.9 million and \$8.4 million, and other costs of \$.2 million and \$.9 million, respectively. These restructuring initiatives are due to the company's continued efforts to lower cost and drive operational efficiency. Integration costs are primarily related to the integration of acquired businesses within the company's pre-existing business and the consolidation of certain operations.

As of September 27, 2014, the company does not anticipate there will be any material adjustments relating to the aforementioned restructuring and integration plans. Refer to Note I, "Restructuring, Integration, and Other Charges," of the Notes to the Consolidated Financial Statements for further discussion of the company's restructuring and integration activities.

Operating Income

Following is an analysis of operating income (in millions):

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Consolidated operating income, as reported	\$ 200	\$ 163	\$ 586	\$ 456
Identifiable intangible asset amortization	11	9	33	27
Restructuring, integration, and other charges	4	23	25	74
Consolidated operating income, as adjusted*	\$ 215	\$ 194	\$ 644	\$ 557
Consolidated operating income, as reported as a percentage of sales, as reported	3.6%	3.2%	3.6%	3.0%
Consolidated operating income, as adjusted as a percentage of sales, as reported	3.8%	3.8%	3.9%	3.7%

* The sum of the components for consolidated operating income, as adjusted may not agree to totals, as presented, due to rounding.

The company recorded operating income of \$199.8 million, or 3.6% of sales, and \$585.8 million, or 3.6% of sales, in the third quarter and first nine months of 2014, respectively, compared with operating income of \$162.7 million, or 3.2% of sales, and \$456.2 million, or 3.0% of sales, in the year-earlier periods. Excluding identifiable intangible asset amortization and restructuring, integration, and other charges, operating income, as adjusted was \$214.9 million, or 3.8% of sales, and \$643.9 million, or 3.9% of sales, in the third quarter and first nine months of 2014, respectively, compared with operating income, as adjusted of \$194.2 million, or 3.8% of sales, and \$557.3 million, or 3.7% of sales, in the year-earlier periods.

Gain on Sale of Investment

During the third quarter of 2014, the company sold its 1.9% equity ownership interest in WPG Holdings Co., Ltd. for proceeds of \$40.5 million and accordingly recorded a gain on sale of investment of \$29.7 million (\$18.3 million net of related taxes or \$.19 and \$.18 per share on a basic and diluted basis, respectively).

Loss on Prepayment of Debt

During the first nine months of 2013, the company recorded a loss on prepayment of debt of \$4.3 million (\$2.6 million net of related taxes or \$.03 per share on both a basic and diluted basis), related to the redemption of \$332.1 million principal amount of its 6.875% senior notes due July 2013.

Interest and Other Financing Expense, Net

The company recorded net interest and other financing expense of \$27.5 million and \$86.1 million for the third quarter and first nine months of 2014, compared with \$27.2 million and \$86.9 million in the year-earlier periods. The first nine months of 2013 include an increase in interest expense of \$1.5 million (\$.9 million net of related taxes or \$.01 per share on both a basic and diluted basis) primarily related to the settlement of certain international tax matters. Excluding this item, net interest and other financing expense remained flat.

Income Taxes

The company recorded a provision for income taxes of \$57.4 million and \$152.2 million (an effective tax rate of 28.1% and 28.5%) for the third quarter and first nine months of 2014, respectively. The company's provision for income taxes and effective tax rate for the third quarter and first nine months of 2014 were impacted by the previously discussed restructuring, integration, and other charges, and gain on sale of investment. Excluding the impact of the aforementioned items, the company's effective tax rate for the third quarter and first nine months of 2014 was 26.5% and 27.9%, respectively.

The company recorded a provision for income taxes of \$40.5 million and \$105.3 million (an effective tax rate of 29.5% and 28.4%) for the third quarter and first nine months of 2013, respectively. The company's provision for income taxes and effective tax rate for the third quarter and first nine months of 2013 were impacted by the previously discussed restructuring, integration, and other charges. The company's provision for income taxes and effective tax rate for the first nine months of 2013 was also impacted by an increase in the provision for income taxes of \$5.4 million (\$.05 per share on both a basic and diluted basis) relating to the settlement of certain international tax matters, and the loss on prepayment of debt. Excluding the impact of the aforementioned items, the company's effective tax rate for the third quarter and first nine months of 2013 was 29.4% and 27.6%, respectively.

The company's provision for income taxes and effective tax rate are impacted by, among other factors, the statutory tax rates in the countries in which it operates and the related level of income generated by these operations.

Net Income Attributable to Shareholders

Following is an analysis of net income attributable to shareholders (in millions):

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net income attributable to shareholders, as reported	\$ 147	\$ 97	\$ 382	\$ 265
Identifiable intangible asset amortization	9	7	27	21
Restructuring, integration, and other charges	3	16	18	52
Gain on sale of investment	(18)	—	(18)	—
Loss on prepayment of debt	—	—	—	3
Settlement of tax matters:				
Income taxes	—	—	—	5
Interest (net of taxes)	—	—	—	1
Net income attributable to shareholders, as adjusted*	\$ 140	\$ 120	\$ 409	\$ 347

* The sum of the components for net income attributable to shareholders, as adjusted may not agree to totals, as presented, due to rounding.

The company recorded net income attributable to shareholders of \$146.9 million and \$381.9 million in the third quarter and first nine months of 2014, respectively, compared with net income attributable to shareholders of \$96.8 million and \$264.6 million in the year-earlier periods. Net income attributable to shareholders, as adjusted was \$140.2 million for the third quarter of 2014, compared with \$119.9 million in the year-earlier period primarily due to an increase in sales in the global components and global ECS segments, and the impact of recent acquisitions. Net income attributable to shareholders, as adjusted was \$408.6 million for the first nine months of 2014, compared with \$347.0 million in the year-earlier period primarily due to an increase in sales in the global components and global ECS segments, the impact of recent acquisitions, and the effect of a weaker U.S. dollar on the translation of the company's financial statements.

Liquidity and Capital Resources

At September 27, 2014 and December 31, 2013, the company had cash and cash equivalents of \$258.2 million and \$390.6 million, respectively, of which \$221.5 million and \$347.4 million, respectively, were held outside the United States. Liquidity is affected by many factors, some of which are based on normal ongoing operations of the company's business and some of which arise from fluctuations related to global economics and markets. Cash balances are generated and held in many locations throughout the world. It is the company's current intent to permanently reinvest these funds outside the United States and its current plans do not demonstrate a need to repatriate them to fund its United States operations. If these funds were needed for the company's operations in the United States, it would be required to record and pay significant United States income taxes to repatriate these funds. Additionally, local government regulations may restrict the company's ability to move cash balances to meet cash needs under certain circumstances. The company currently does not expect such regulations and restrictions to impact its ability to make acquisitions or to pay vendors and conduct operations throughout the global organization.

During the first nine months of 2014, the net amount of cash provided by the company's operating activities was \$216.2 million, the net amount of cash used for investing activities was \$176.9 million, and the net amount of cash used for financing activities was \$180.9 million. The effect of exchange rate changes on cash was an increase of \$9.1 million.

During the first nine months of 2013, the net amount of cash provided by the company's operating activities was \$235.6 million, the net amount of cash used for investing activities was \$131.9 million, and the net amount of cash used for financing activities was \$287.5 million. The effect of exchange rate changes on cash was an increase of \$25.8 million.

Cash Flows from Operating Activities

The company maintains a significant investment in accounts receivable and inventories. As a percentage of total assets, accounts receivable and inventories were approximately 64.6% at September 27, 2014 and 65.8% at December 31, 2013.

The net amount of cash provided by the company's operating activities during the first nine months of 2014 was \$216.2 million and was primarily due to earnings from operations, adjusted for non-cash items.

The net amount of cash provided by the company's operating activities during the first nine months of 2013 was \$235.6 million and was primarily due to earnings from operations, adjusted for non-cash items, offset, in part, by an increase in net working capital to support the increase in sales.

Working capital as a percentage of sales was 15.6% in the third quarter of 2014 compared with 16.4% in the third quarter of 2013.

Cash Flows from Investing Activities

The net amount of cash used for investing activities during the first nine months of 2014 was \$176.9 million, reflecting \$129.5 million of cash consideration paid, net of cash acquired, for acquired businesses, \$40.5 million of proceeds from sale of investment, and \$87.9 million for capital expenditures. Included in capital expenditures for the first nine months of 2014 is \$57.0 million related to the company's global ERP initiative.

During the first nine months of 2014, the company completed three acquisitions. The aggregate consideration paid for these acquisitions was \$129.5 million, net of cash acquired, contingent consideration, and other amounts withheld.

The net amount of cash used for investing activities during the first nine months of 2013 was \$131.9 million, reflecting \$43.4 million of cash consideration paid, net of cash acquired, for acquired businesses, \$85.5 million for capital expenditures, and \$3.0 million other. Included in capital expenditures for the first nine months of 2013 is \$43.0 million related to the company's global ERP initiative.

During the first nine months of 2013, the company completed two acquisitions. The aggregate consideration paid for these acquisitions was \$43.4 million, net of contingent consideration.

Cash Flows from Financing Activities

The net amount of cash used for financing activities during the first nine months of 2014 was \$180.9 million. The uses of cash from financing activities included \$189.4 million of repurchases of common stock, \$10.2 million of net repayments of long-term bank borrowings, and a \$9.2 million decrease in short-term and other borrowings. The sources of cash from financing activities during the first nine months of 2014 were \$28.0 million of proceeds from the exercise of stock options and other benefits related to stock-based compensation arrangements.

The net amount of cash used for financing activities during the first nine months of 2013 was \$287.5 million. The uses of cash from financing activities included \$338.2 million of redemption of senior notes, \$312.6 million of repurchases of common stock, \$242.9 million of net repayments of long-term bank borrowings, and a \$22.3 million decrease in short-term and other borrowings. The sources of cash from financing activities during the first nine months of 2013 were \$591.2 million of net proceeds from a note offering, and \$37.3 million of proceeds from the exercise of stock options and other benefits related to stock-based compensation arrangements.

During the first nine months of 2013, the company completed the sale of \$300.0 million principal amount of 3.00% notes due in 2018 and \$300.0 million principal amount of 4.50% notes due in 2023. The net proceeds of the offering of \$591.2 million were used to refinance the company's 6.875% senior notes due July 2013 and for general corporate purposes.

During the first nine months of 2013, the company redeemed \$332.1 million principal amount of its 6.875% senior notes due July 2013. The related loss on the redemption for the first nine months of 2013 aggregated \$4.3 million (\$2.6 million net of related taxes or \$.03 per share on both a basic and diluted basis) and was recognized as a loss on prepayment of debt.

The company has a \$1.50 billion revolving credit facility, maturing in December 2018. This facility may be used by the company for general corporate purposes including working capital in the ordinary course of business, letters of credit, repayment, prepayment or purchase of long-term indebtedness and acquisitions, and as support for the company's commercial paper program, as applicable. Interest on borrowings under the revolving credit facility is calculated using a base rate or a euro currency rate plus a spread (1.30% at September 27, 2014), which is based on the company's credit ratings, or an effective interest rate of 1.40% at September 27, 2014. The facility fee is .20%. At September 27, 2014, the company had \$49.8 million in outstanding borrowings under the revolving credit facility. There were no outstanding borrowings under the revolving credit facility at December 31, 2013. During the first nine months of 2014 and 2013, the average daily balance outstanding under the revolving credit facility was \$383.2 million and \$417.9 million, respectively.

The company has an asset securitization program collateralized by accounts receivable of certain of its subsidiaries. In March 2014, the company amended its asset securitization program and, among other things, increased its borrowing capacity from \$775.0 million to \$900.0 million and extended its term to mature in March 2017. The asset securitization program is conducted through Arrow Electronics Funding Corporation ("AFC"), a wholly-owned, bankruptcy remote subsidiary. The asset securitization program does not qualify for sale treatment. Accordingly, the accounts receivable and related debt obligation remain on the company's consolidated balance sheets. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread (.40% at September 27, 2014), which is based on the company's credit ratings, or an effective interest rate of .62% at September 27, 2014. The facility fee is .40%. The company had \$360.0 million and \$420.0 million in outstanding borrowings under the asset securitization program at September 27, 2014 and December 31, 2013, respectively. During the first nine months of 2014 and 2013, the average daily balance outstanding under the asset securitization program was \$443.3 million and \$262.2 million, respectively.

Both the revolving credit facility and asset securitization program include terms and conditions that limit the incurrence of additional borrowings, limit the company's ability to pay cash dividends or repurchase stock, and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of September 27, 2014 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

In April 2014, the company entered into an agreement for an uncommitted line of credit. In September 2014, the company amended its uncommitted line of credit to increase its borrowing capacity from \$70.0 million to \$100.0 million. There were no outstanding borrowings under the uncommitted line of credit at September 27, 2014.

In the normal course of business certain of the company's subsidiaries have agreements to sell, without recourse, selected trade receivables to financial institutions. The company does not retain financial or legal interests in these receivables, and accordingly they are accounted for as sales of the related receivables and the receivables are removed from the company's consolidated balance sheets. Financing costs related to these transactions were not material and are included in "Interest and other financing expense, net" in the company's consolidated statements of operations.

The company filed a shelf registration statement with the Securities and Exchange Commission in October 2012 registering debt securities, preferred stock, common stock, and warrants of Arrow Electronics, Inc. that may be issued by the company from time to time. As set forth in the shelf registration statement, the net proceeds from the sale of the offered securities may be used by the company for general corporate purposes, including repayment of borrowings, working capital, capital expenditures, acquisitions, and stock repurchases, or for such other purposes as may be specified in the applicable prospectus supplement.

Management believes that the company's current cash availability, its current borrowing capacity under its revolving credit facility, and asset securitization program, its expected ability to generate future operating cash flows, and the company's access to capital

markets are sufficient to meet its projected cash flow needs for the foreseeable future. The company continually evaluates its liquidity requirements and would seek to amend its existing borrowing capacity or access the financial markets as deemed necessary.

Contractual Obligations

The company has contractual obligations for short-term and long-term debt, interest on short-term and long-term debt, capital leases, operating leases, purchase obligations, and certain other long-term liabilities that were summarized in a table of Contractual Obligations in the company's Annual Report on Form 10-K for the year ended December 31, 2013. Since December 31, 2013, there were no material changes to the contractual obligations of the company, outside the ordinary course of the company's business, except as follows:

- In March 2014, the company amended its asset securitization program and, among other things, increased its borrowing capacity from \$775.0 million to \$900.0 million and extended its term to mature in March 2017. At September 27, 2014 and December 31, 2013, the company had \$360.0 million and \$420.0 million, respectively, in outstanding borrowings under this program.
- At September 27, 2014, the company had \$49.8 million in outstanding borrowings under the revolving credit facility which matures in December 2018. There were no outstanding borrowings under the revolving credit facility at December 31, 2013.

Share-Repurchase Programs

In July 2013, the company's Board of Directors (the "Board") approved the repurchase of up to \$200 million of the company's common stock through a share-repurchase program. In May 2014, the company's Board approved an additional repurchase of up to \$200 million of the company's common stock. As of September 27, 2014, the company repurchased 4,037,375 shares under these programs with a market value of \$223.6 million at the dates of repurchase, of which 852,286 shares with a market value of \$50.0 million were repurchased during the third quarter of 2014.

Subsequent to quarter end, the company repurchased 1,140,967 shares through October 24, 2014 under the May 2014 program with a market value of \$55.4 million at the dates of repurchase.

Off-Balance Sheet Arrangements

The company has no off-balance sheet financing or unconsolidated special purpose entities.

Critical Accounting Policies and Estimates

The company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. The company evaluates its estimates on an ongoing basis. The company bases its estimates on historical experience and on various other assumptions that are believed reasonable under the circumstances; the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There were no significant changes during the first nine months of 2014 to the items disclosed as Critical Accounting Policies and Estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in the company's Annual Report on Form 10-K for the year ended December 31, 2013.

Impact of Recently Issued Accounting Standards

See Note B of the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the anticipated dates of adoption and the effects on the company's consolidated financial position and results of operations.

Information Relating to Forward-Looking Statements

This report includes forward-looking statements that are subject to numerous assumptions, risks, and uncertainties, which could cause actual results or facts to differ materially from such statements for a variety of reasons, including, but not limited to: industry conditions, the company's implementation of its new enterprise resource planning system, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and global ECS markets, changes in relationships with key suppliers, increased profit margin pressure, the effects of additional actions taken to become more efficient or lower costs, risks related to the

integration of acquired businesses, changes in legal and regulatory matters, and the company's ability to generate additional cash flow. Forward-looking statements are those statements which are not statements of historical fact. These forward-looking statements can be identified by forward-looking words such as "expects," "anticipates," "intends," "plans," "may," "will," "believes," "seeks," "estimates," and similar expressions. Shareholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update publicly or revise any of the forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in market risk for changes in foreign currency exchange rates and interest rates from the information provided in Item 7A – Quantitative and Qualitative Disclosures About Market Risk in the company's Annual Report on Form 10-K for the year ended December 31, 2013, except as follows:

Foreign Currency Exchange Rate Risk

The notional amount of the foreign exchange contracts at September 27, 2014 and December 31, 2013 was \$365.6 million and \$445.7 million, respectively. The fair values of foreign exchange contracts, which are nominal, are estimated using market quotes. The translation of the financial statements of the non-United States operations is impacted by fluctuations in foreign currency exchange rates. The change in consolidated sales and operating income was impacted by the translation of the company's international financial statements into U.S. dollars. For the first nine months of 2014, the translation of the company's international financial statements into U.S. dollars resulted in an increase in sales and operating income of \$105.0 million and \$3.4 million, respectively, compared with the year-earlier period. Sales and operating income would decrease by approximately \$498.4 million and \$18.1 million, respectively, if average foreign exchange rates declined by 10% against the U.S. dollar in the first nine months of 2014. These amounts were determined by considering the impact of a hypothetical foreign exchange rate on the sales and operating income of the company's international operations.

Interest Rate Risk

At September 27, 2014, approximately 77% of the company's debt was subject to fixed rates, and 23% of its debt was subject to floating rates. A one percentage point change in average interest rates would not materially impact net interest and other financing expense for the first nine months of 2014. This was determined by considering the impact of a hypothetical interest rate on the company's average floating rate on investments and outstanding debt. This analysis does not consider the effect of the level of overall economic activity that could exist. In the event of a change in the level of economic activity, which may adversely impact interest rates, the company could likely take actions to further mitigate any potential negative exposure to the change. However, due to the uncertainty of the specific actions that might be taken and their possible effects, the sensitivity analysis assumes no changes in the company's financial structure.

In April 2014, the company entered into an interest rate swap, with a notional amount of \$50.0 million. The swap modifies the company's interest rate exposure by effectively converting a portion of the fixed 6.00% notes to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective rate of 4.2% at September 27, 2014), through its maturity. The swap is classified as a fair value hedge and had a negative fair value of \$.3 million at September 27, 2014.

In April 2014, the company entered into an interest rate swap, with a notional amount of \$50.0 million. The swap modifies the company's interest rate exposure by effectively converting a portion of the fixed 6.875% senior debentures to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective rate of 5.5% at September 27, 2014), through its maturity. The swap is classified as a fair value hedge and had a negative fair value of \$.3 million at September 27, 2014.

In September 2011, the company entered into a ten-year forward-starting interest rate swap (the "2011 swap") which locked in a treasury rate of 2.63% on an aggregate notional amount of \$175.0 million. This swap managed the risk associated with changes in treasury rates and the impact of future interest payments. The 2011 swap related to the interest payments for anticipated debt issuances to replace the company's 6.875% senior notes due to mature in July 2013. The 2011 swap was classified as a cash flow hedge. In the first nine months of 2013, the company paid \$7.7 million to terminate the 2011 swap upon issuance of the ten-year notes due in 2023. The fair value of the 2011 swap is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive income" and is being reclassified into income over the ten-year term of the notes due in 2023. For the 2011 swap, the company reclassified into income \$(.2) million and \$(.5) million for the third quarter and first nine months of 2014 and \$(.2) million and \$(.1) million for the third quarter and first nine months of 2013, respectively.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The company's management, under the supervision and with the participation of the company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the company's disclosure controls and procedures as of September 27, 2014 (the "Evaluation"). Based upon the Evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) are effective.

Changes in Internal Control over Financial Reporting

There was no change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There were no material changes to the company's risk factors as discussed in Item 1A - Risk Factors in the company's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014 and in Item 1A - Risk Factors in the company's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In July 2013, the company's Board approved the repurchase of up to \$200 million of the company's common stock through a share-repurchase program. In May 2014, the company's Board approved an additional repurchase of up to \$200 million of the company's common stock.

The following table shows the share-repurchase activity for the quarter ended September 27, 2014:

Month	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (b)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs
June 29 through July 31, 2014	3,592	\$ 60.16	—	\$ 226,428,610
August 1 through August 31, 2014	853,008	58.65	852,286	176,440,352
September 1 through September 27, 2014	5,687	62.11	—	176,440,352
Total	862,287		852,286	

- (a) Includes share repurchases under the Share-Repurchase Programs and those associated with shares withheld from employees for stock-based awards, as permitted by the Omnibus Incentive Plan, in order to satisfy the required tax withholding obligations.
- (b) The difference between the "total number of shares purchased" and the "total number of shares purchased as part of publicly announced programs" for the quarter ended September 27, 2014 is 10,001 shares, which relate to shares withheld from employees for stock-based awards, as permitted by the Omnibus Incentive Plan, in order to satisfy the required tax withholding obligations. The purchase of these shares were not made pursuant to any publicly announced repurchase plan.

Item 6. Exhibits

Exhibit Number	Exhibit
31(i)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(ii)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(i)	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(ii)	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
10(a)	Amendment No. 2 to Dealer Agreement dated as of November 9, 1999, between Goldman, Sachs & Co., J.P. Morgan Securities LLC (f.k.a. Chase Securities Inc.), Morgan Stanley & Co. LLC (f.k.a. Morgan Stanley & Co. Incorporated), Merrill Lynch, Pierce, Fenner & Smith Incorporated (f.k.a. Bank of America Securities LLC) and Arrow Electronics, Inc., as amended by Amendment No. 1 dated as of October 11, 2011.
10(b)	Issuing and Paying Agency Agreement, dated as of October 20, 2014, by and between Arrow Electronics, Inc. and BNP Paribas.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Documents.
101.DEF	XBRL Taxonomy Definition Linkbase Document.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARROW ELECTRONICS, INC.

Date: October 29, 2014

By: /s/ Paul J. Reilly

Paul J. Reilly

Executive Vice President, Finance and Operations, and Chief Financial Officer

Amendment No. 2 to Dealer Agreement dated as of November 9, 1999,
 between Goldman, Sachs & Co., J.P. Morgan Securities LLC (f.k.a. Chase Securities Inc.), Morgan Stanley & Co. LLC (f.k.a. Morgan Stanley & Co. Incorporated), Merrill Lynch, Pierce, Fenner & Smith Incorporated (f.k.a. Bank of America Securities LLC) and
 Arrow Electronics, Inc.,
 as amended by Amendment No 1 dated as of October 11, 2011

Dated as of October 20, 2014

This amendment ("Amendment No. 2") sets forth the understandings between Arrow Electronics, Inc. (the "Issuer") and Goldman, Sachs & Co., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (collectively, the "Dealers"), parties to an agreement, dated as of November 9, 1999 (the "Original Dealer Agreement" and, as amended by Amendment No. 1 dated as of October 11, 2011, the "Dealer Agreement"), pursuant to which the Issuer appointed the Dealers as dealers of certain short-term promissory notes (the "Notes") of the Issuer. The purpose of this letter is to set forth the following amendment to the Dealer Agreement:

- (a) The reference to the Issuing and Paying Agency Agreement on the first page of the Original Dealer Agreement shall be hereby amended and replaced in its entirety with the following:

"Concerning Notes to be issued pursuant to the Issuing and Paying Agency Agreement described and defined herein."

- (b) Each reference to "4(2)" in the Dealer Agreement shall be replaced with a reference to "4(a)(2)".
 - (c) The references to Sophisticated Individual Investors shall be deleted from Section 1.6(a) and from Exhibit A.
 - (d) The reference to "Rule 506" shall be deleted from Section 1.6(e) and replaced with "Section 4(a)(2)".
 - (e) The phrase "and Rule 506 thereunder" shall be deleted from Section 1.7(a).
 - (f) Section 3.6 of the Dealer Agreement shall be amended to insert a reference to "(a)" at the start thereof, to replace references to "(a)", "(b)", "(c)", "(d)" and "(e)" with "(i)", "(ii)", "(iii)", "(iv)" and "(v)", respectively, and to insert a new Section 3.6(b) following Section 3.6(a) to read as follows:
 - "(b) (i) The parties hereto agree that the Issuer may, in accordance with the terms of this Section 3.6(b), from time to time replace the party which is then acting as Issuing and Paying Agent (the "Current Issuing and Paying Agent") with another party (such other party, the "Replacement Issuing and Paying Agent"), and enter into an agreement with the Replacement Issuing and Paying Agent covering the provision of issuing and paying agency functions in respect of the Notes by the Replacement Issuing and Paying Agent (the "Replacement Issuing and Paying Agency Agreement") (any such replacement, a "Replacement").
 - (ii) From and after the effective date of any Replacement, except to the extent that the Issuing and Paying Agency Agreement provides that the Current Issuing and Paying Agent will continue to act in respect of Notes outstanding as of the effective date of such Replacement, the "Issuing and Paying Agent" for the Notes shall be deemed to be the Replacement Issuing and Paying Agent, all references to the "Issuing and Paying Agent" hereunder shall be deemed to refer to the Replacement Issuing and Paying Agent, and all references to the "Issuing and
-

Paying Agency Agreement” hereunder shall be deemed to refer to the Replacement Issuing and Paying Agency Agreement.

(iii) From and after the effective date of any Replacement, the Issuer shall not issue any Notes hereunder unless and until each Dealer shall have received (x) a copy of the executed Replacement Issuing and Paying Agency Agreement, (y) a copy of the executed Master Note authenticated by the Replacement Issuing and Paying Agent and registered in the name of DTC or its nominee, (z) an amendment or supplement to, or a replacement of, the Private Placement Memorandum describing the Replacement Issuing and Paying Agent as the Issuing and Paying Agent for the Notes, and reflecting any other changes thereto necessary in light of the Replacement so that the Private Placement Memorandum, as amended, supplemented or replaced, satisfies the requirements of this Agreement, (aa) prior to the issuance of any Notes represented by a book-entry note registered in the name of DTC or its nominee, a copy of the executed Letter of Representations among the Issuer, the Replacement Issuing and Paying Agent and DTC, and (bb) an opinion of counsel to the Issuer, addressed to the Dealers, reasonably satisfactory in form and substance to the Dealers.

(g) A new Section 3.8 shall be added to the Dealer Agreement to read as follows: “3.8 The Issuer shall not file a Form D (as referenced in Rule 503 under the Securities Act) at any time in respect of the offer or sale of the Notes.”

(h) The definition of the term “Issuing and Paying Agency Agreement” set forth in Section 6.8 of the Dealer Agreement is amended in its entirety to read as follows:

“‘Issuing and Paying Agency Agreement’ shall mean that certain Issuing and Paying Agency Agreement dated as of October 20, 2014, between the Issuing and Paying Agent and the Issuer, as the same may be amended, modified or supplemented from time to time or as superseded by a Replacement Issuing and Paying Agency Agreement entered into with a Replacement Issuing and Paying Agent as provided pursuant to Section 3.6(b) hereof.”

(i) The definition of the term “Issuing and Paying Agent” set forth in Section 6.9 of the Dealer Agreement is amended in its entirety to read as follows:

“‘Issuing and Paying Agent’ shall mean BNP Bank, acting through its New York Branch, as issuing and paying agent under the Issuing and Paying Agency Agreement, or any successor thereto, or any Replacement Issuing and Paying Agent as provided pursuant to Section 3.6(b) hereof.”

(j) For the avoidance of doubt, the terms “Agent” and “Dealer,” as used in the Dealer Agreement, including in the singular or plural, shall be one and the same, and the Dealer Agreement shall be henceforth referred to as the “Dealer Agreement”.

Except as amended by this Amendment No. 2, the Dealer Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be executed as of the date and year first above written.

Arrow Electronics, Inc., as Issuer

By: /s/ Paul J. Reilly
Name: Paul J. Reilly
Title: Executive VP and CFO

By: /s/ Gregory A. Hanson
Name: Gregory A. Hanson
Title: VP and Treasurer

Goldman, Sachs & Co., as Dealer

By: /s/ Susan Dowling
Name: Susan Dowling
Title: Authorized Signatory

J.P. Morgan Securities LLC, as Dealer

By: /s/ Johanna C. Foley
Name: Johanna C. Foley
Title: Executive Director

Morgan Stanley & Co. LLC, as Dealer

By: /s/ Yuri Slyz
Name: Yuri Slyz
Title: Legal at Morgan Stanley

**Merrill Lynch, Pierce, Fenner & Smith Incorporated,
as Dealer**

By: /s/ Robert J. Little
Name: Robert J. Little
Title: Managing Director

ISSUING AND PAYING AGENCY AGREEMENT

US Commercial Paper Note Program of
ARROW ELECTRONICS, INC.

This Agreement, dated as of October 20, 2014, sets forth the understanding by and among BNP Paribas, acting through its New York branch, as Issuing and Paying Agent (the "Agent") and Arrow Electronics, Inc., as issuer (the "Issuer"), whereby the Agent has agreed to act (A) as issuing agent (the "Issuing Agent") on behalf of the Issuer in connection with the Issuer's US dollar-denominated commercial paper notes (the "Notes"), (B) as paying agent (the "Paying Agent") to undertake certain obligations to make payments in respect of the Notes, and (C) as depository (the "Depository") to receive certain funds on behalf of the Issuer, as set forth herein. The Agent has executed or will promptly hereafter execute a Letter of Representations (the "Letter of Representations") with the Issuer and The Depository Trust Company ("DTC") and a Certificate Agreement (the "Certificate Agreement") with DTC which establishes or will establish, among other things, the procedures to be followed by the Agent in connection with the issuance and custody of book-entry Notes (the "Book-Entry Notes"). References hereinafter to the "Agent" shall refer to the Agent in its respective capacities as Issuing Agent, Paying Agent and Depository.

This Agreement will govern the rights, powers, duties and obligations of the parties in connection with the issuance of the Notes and no implied covenants and obligations shall be read into this Agreement or any other agreement.

1. Appointment of Agent. The Issuer hereby appoints the Agent and the Agent hereby agrees to act, on the terms and conditions specified herein and in the Letter of Representations and Certificate Agreement, as applicable, as Issuing Agent and Paying Agent for the Notes and Depository for the Note proceeds.

2. Supply of Book-Entry Notes.

(a) Book-Entry Notes shall be issued as described in the Schedule attached to the Letter of Representations and shall be represented by one or more master notes (each, a "Master Note"). The Master Note shall be executed by manual or facsimile signature of an Authorized Representative (as such term is defined herein) of the Issuer in accordance with the Letter of Representations. Pending receipt of issuing instructions pursuant to this Agreement, the Agent will hold the Master Note(s) in safekeeping for the account of the Issuer or DTC, as the case may be, in accordance with the Agent's customary practice and the requirements of the Certificate Agreement.

(b) All Notes issued by the Issuer under this Agreement shall be short-term promissory notes exempt from the registration requirements of the Securities Act of 1933, as amended. The Notes may be placed by dealers (the “Dealers”) pursuant to Section 3(c) hereof.

(c) The Agent shall not have any obligation or duty (i) to monitor, determine or inquire as to compliance with or with respect to any securities laws (including but not limited to any United States federal or state or other securities laws), or (ii) obtain documentation on any transfers or exchanges of the Notes.

3. Authorized Representatives; Electronic Instructions.

(a) With the delivery of this Agreement, the Issuer is furnishing to the Agent, and from time to time thereafter may furnish to the Agent, and shall furnish to the Agent upon the Agent’s request, a certificate in the form of Exhibit A attached hereto (“Incumbency Certificate”) of a responsible officer of the Issuer certifying the incumbency and specimen signatures of officers or agents of the Issuer authorized to execute Master Notes on behalf of the Issuer, by manual or facsimile signature and/or to take other action hereunder on behalf of the Issuer (each an “Authorized Representative”).

(b) Until the Agent receives a subsequent Incumbency Certificate of the Issuer, the Agent shall be entitled to rely on the last such Incumbency Certificate delivered to the Agent for purposes of determining the Authorized Representatives. When the Agent reasonably believes in good faith that a signature has been given by an Authorized Representative, the Agent shall not have any responsibility to the Issuer to determine by whom or by what means a facsimile signature may have been affixed on the Master Note(s). Any Master Note bearing the manual or facsimile signature of a person who is an Authorized Representative on the date such signature is affixed shall be binding on the Issuer after the authentication thereof by the Agent notwithstanding that such person shall have died or shall have otherwise ceased to hold his office on the date such Master Note is authenticated or delivered to the Agent.

(c) The Issuer represents and warrants that each of its Authorized Representatives may appoint other officers, employees and agents (the “Delegates”), including without limitation any Dealers, to issue instructions to the Agent under this Agreement, and take other actions on its behalf hereunder; provided that notice of the appointment of each Delegate is delivered to the Agent in writing. Each such appointment shall remain in effect unless and until revoked by the Issuer in a written notice to the Agent.

(d) The Agent shall provide the Issuer or, if applicable, the Issuer’s Dealers, with access to the Agent’s US Issuing and Paying Agent System or other electronic means (collectively, the “System”) in order that the Agent may receive electronic instructions for the issuance of Notes.

Electronic instructions must be transmitted in accordance with the procedures furnished by the Agent to the Issuer or its Dealers in connection with the System. These transmissions shall be the equivalent to the giving of a duly authorized written and signed instruction which the Agent may act upon without liability. In the event that the System is inoperable at any time, an Authorized Representative or a Delegate may deliver written, telephone or facsimile instructions to the Agent, which instructions shall be verified in accordance with any security procedures agreed upon by the parties.

4. Completion, Authentication of Book-Entry Notes.

(a) Subject to the terms and conditions hereof, upon the Agent's receipt of written or telecopy instructions from an Authorized Representative (or in such manner as the Agent then employs as the Agent's normal business practices), the Agent shall give issuance instructions for the issuance of Book-Entry Notes to DTC in a manner set forth in, and take other actions as are required by, the Letter of Representations and the Certificate Agreement.

If instructions are received by the Agent by **1:30 p.m.** New York City time (before DTC cut off), on a Business Day (as such term is defined herein), for Book-Entry issuance, the Agent shall give issuance instructions for the issuance of Book-Entry Notes to DTC on the same day.

For the purpose of this Agreement, "Business Day" shall mean a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required to close under the laws or regulations.

(b) Instructions for the issuance of Book-Entry Notes shall include the following information with respect to each Book-Entry Notes:

(i) the date of issuance of each such Book-Entry Notes (which shall be a Business Day); and

(ii) the maturity date of each such Book-Entry Notes; provided that the Authorized Representative shall ensure that such date is a Business Day.

(c) Except as may otherwise be provided in the Letter of Representations, the Agent agrees that all Notes will be issued as Book-Entry Notes and that no Certificated Notes (as such term is defined herein) shall be exchanged for Book-Entry Notes unless and until the Agent has received instructions from DTC in accordance with Section 4(e).

(d) It is understood that the Agent is not under any obligation to assess or review the financial condition or credit worthiness of any person who has purchased Notes or to advise the Issuer as

to the results any such appraisal or investigation the Agent may have conducted on the Agent's own or of any adverse information concerning any such person that may in any way have come to the Agent's attention.

(e) It is understood that DTC may request the delivery of certificated Notes not in book-entry form ("Certificated Notes") in exchange for Book-Entry Notes upon the termination of DTC's services pursuant to the DTC Letter of Representations. Accordingly, upon notice of such termination, the Issuer shall deliver to the Agent sufficient blank Certificated Notes and the Agent is authorized to complete and deliver the Certificated Notes in partial or complete substitution for Book-Entry Notes of the same face amount and maturity as requested by DTC. Upon the completion of delivery of any such Certificated Notes, the Agent shall annotate the Agent's records regarding the Master Note with respect to such Book-Entry Notes to reflect a corresponding reduction in the face amount of the outstanding Book-Entry Notes. The Agent's authority to so complete and deliver such Certificated Notes shall be irrevocable at all times from the time a Book-Entry Note is purchased until the indebtedness evidenced thereby is paid in full.

5. Proceeds.

(a) All proceeds received by the Agent in connection with the sale of Notes shall be credited on the day of the sale to the Agent's account for the conduct of its issuing and paying agency business (the "Agent IPA Account"). Such proceeds received by the Agent in connection with the sale of Notes shall be transferred to an account of the Issuer specified in a written instruction received by the Agent from an Authorized Representative of the Issuer on the day of the sale following receipt to the Agent IPA account.

(b) The Agent shall not have any liability or responsibility to invest or pay interest on any funds held in the Agent IPA Account. Any and all funds received by the Agent shall be in US dollars.

6. Payment of Matured Notes.

(a) No later than **12pm**, New York City time, on the date that any Notes are scheduled to mature, the Issuer shall have transferred as immediately available funds to the Agent the amount of Notes maturing on such date. When any matured US Note is presented to the Agent by DTC for payment, payment shall be made to the extent funds are available in the Agent account.

(b) After payment of any matured Book-Entry Notes, the Agent shall annotate the Agent's records to reflect the face amount of Book-Entry Notes outstanding in accordance with the Letter of Representations.

(c) The Agent shall not be accountable for the use or application by any person of disbursements properly made by the Agent in conformity with the provisions of this Agreement.

7. Representations and Warranties.

The Issuer hereby represents and warrants to the Agent, and, each request to issue Master Notes and Notes shall constitute the Issuer's continuing representation and warranty as follows:

(a) This Agreement is, and all Master Notes and Notes delivered to the Agent pursuant to this Agreement will be, duly authorized, executed and delivered by the Issuer.

(b) The issuance and delivery of the Master Notes and the Notes will not violate any state or Federal law and the Master Notes and the Notes do not require registration under the Securities Act of 1933, as amended.

(c) This Agreement sets forth (and the Master Notes and the Notes, when completed, authenticated, delivered and paid for by dealers or investors pursuant hereto, set forth), the Issuer's legal, valid and binding obligations enforceable against the Issuer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity.

(d) The Issuer is duly organized and validly existing under the laws of its jurisdiction of incorporation, and no liquidation, dissolution, bankruptcy, windup or similar proceedings have been instituted with respect to the Issuer.

(e) The Issuer has, and at all relevant times has had, all necessary power and authority to execute, deliver and perform this Agreement and to issue the Master Notes and the Notes.

(f) All actions on the part of the Issuer which are required for the authorization of the issuance of the Master Notes and the Notes and for the authorization, execution, delivery and performance of this Agreement do not require the approval or consent of any holder or trustee of any indebtedness or obligations of the Issuer.

(g) The issuance of Master Notes and Notes by the Issuer (i) does not and will not contravene any provision of any law, regulation or rule applicable to the Issuer, and (ii) does not and will not conflict with, breach or contravene the provisions of any contract or other instrument binding upon the Issuer.

8. Reliance on Instructions. Except as otherwise set forth herein, the Agent shall incur no liability to the Issuer in acting hereunder upon written, electronic (including instructions delivered via the System), telephonic or other instructions or notices contemplated hereby which the Agent reasonably believed or believes in good faith to have been given by an Authorized Representative. In the event a discrepancy exists with respect to such instructions, the telephonic instructions as recorded by the Agent will be deemed the controlling and proper instructions, unless such instructions are required by this Agreement to be in writing or have not been recorded by the Agent as contemplated by the next sentence. It is understood that all telephonic instructions may be recorded by the Agent, and the Issuer hereby consents to such recording.

Whenever the Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Agent (unless other evidence be herein specifically prescribed) may, in good faith, rely upon a certificate signed by an Authorized Representative of the Issuer delivered to the Agent.

In respect of this Agreement, the Agent shall not have any duty or obligation to verify or confirm that the person sending instructions, directions, reports, notices or other communications or information by electronic transmission is, in fact, a person authorized to give such instructions, directions, reports, notices or other communications or information on behalf of the party purporting to send such electronic transmission; and, in the absence of gross negligence or willful misconduct by the Agent, the Agent shall not have any liability for any losses, liabilities, costs or expenses incurred or sustained by any party as a result of such reliance upon or compliance with such instructions, directions, reports, notices or other communications or information.

The Agent shall not be bound to make any investigation into the facts or matters stated in any instruction, resolution, certificate, statement, instrument, direction or other document furnished to the Agent hereunder.

9. Maturity; Cancellation of Unissued Notes. After payment of any matured Book-Entry Notes, the Agent shall annotate the Agent's records to reflect the face amount of Book-Entry Notes outstanding in accordance with the Letter of Representations. After payment of any matured certificated Notes, the Agent shall cancel and return such Notes to the Issuer. Promptly upon the written request of the Issuer, the Agent agrees to cancel and return to the Issuer all unissued certificated Notes in the Agent's possession at the time of such request.

10. Notices; Addresses.

(a) All notices, instructions, directions and other communications to the Agent shall be (except to the extent otherwise expressly provided) in writing (which may be facsimile) and shall

be addressed to the Agent as follows, or to such other address as the Agent may have previously specified to the Issuer hereto, at:

BNP Paribas, New York Branch
787 Seventh Avenue
New York, NY 10019, USA
Attention: Corporate Trust Services / James Jones
Facsimile No.: +1 201 885 4017
Email: cts_us_operations@us.bnpparibas.com

(b) All notices, instructions, directions and other communications to the Issuer shall (except to the extent otherwise expressly provided) be in writing (which may be facsimile) and shall be addressed as follows, or to such other address as the Issuer may have previously specified to the Agent¹:

Arrow Electronics, Inc.
50 Marcus Drive
Melville, NY 11747
Treasury Manager
Telephone: 631-847-5409
Facsimile: 631-847-5379

(c) Notices shall be deemed delivered when actually received at the address specified above and shall be confirmed by telephone, when possible.

11. Liability.

(a) Neither the Agent nor the Agent's officers, employees or agents shall be liable for any act or omission hereunder, except in the case of gross negligence or willful misconduct. The Agent's duties and obligations and those of the Agent's officers, employees and agents shall be determined by the express provisions of this Agreement, the Letter of Representations and the Certificate Agreement (including the documents referred to therein), and the Agent and the Agent's officers, employees and agents shall be responsible for the performance of only such duties and obligations as are specifically set forth herein and therein, and no implied covenants shall be read into any such document against the Agent or the Agent's officers, employees or agents. In acting hereunder and in connection with the Notes, the Agent shall act solely as banker for and agent of the Issuer and will not thereby assume any obligations towards or relationship of agency or trust for any holders of the Notes.

(b) Neither the Agent nor the Agent's officers, employees or agents shall be required to ascertain whether the issuance or sale of Notes and the execution of this Agreement (or any amendment hereto) is in compliance with any applicable law, regulation or rule by which the Issuer is bound, or with any other agreement, ordinance, resolution or other undertaking or document to which the Issuer is a party or by which it is or its property may be bound (whether or not the Agent is a party to such other agreement).

(c) The Agent may consult at the Issuer's expense with a nationally recognized counsel of the Agent's selection, and any written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by the Agent, in the absence of gross negligence or willful misconduct on the Agent's part, in reliance on such advice or opinion.

(d) In no event shall the Agent be liable for special, indirect, consequential or punitive loss or damage of any kind whatsoever (including but not limited to lost profits) even if the Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

12. Indemnity. The Issuer hereby agrees to indemnify and hold the Agent, the Agent's employees and any of the Agent's officers harmless, from and against, and the Agent shall not be liable for, any and all direct losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs and expenses of any nature including, without limitation, interest and reasonable attorneys' fees and expenses, arising out of or resulting from the exercise of the Agent's rights and/or the performance of the Agent's duties (or those of the Agent's officers and employees) hereunder; provided, however, that the Issuer shall not be liable to indemnify or pay the Agent with respect to any loss, liability, action, suit, judgment, demand, damage, cost or expense that results from the Agent's gross negligence or willful misconduct or that of the Agent's officers, employees or agents. The foregoing indemnity includes, but is not limited to, any action taken or omitted to be taken by the Agent upon telephonic or other electronically transmitted instructions (authorized herein) received by the Agent from, or believed by the Agent in good faith to have been given by, the proper person or persons authorized by the Issuer. The provisions of this Section 12 shall survive (i) the Agent's resignation or removal hereunder, (ii) the termination of this Agreement and/or (iii) the payment of the Notes.

13. Termination.

(a) This Agreement may be terminated at any time by either the Agent or the Issuer by 30 days prior written notice to the other; provided that the Agent agrees to continue acting as Issuing Agent, Paying Agent and Depository hereunder until such time as the Agent's successor has been

selected and has entered into an agreement with the Issuer to that effect. Such termination shall not affect the respective liabilities or rights of the parties hereunder arising prior to such termination.

(b) If no successor has been appointed within 30 days of such notice, the Agent shall have the right to appoint a successor by and on behalf of the Issuer or petition a court of competent jurisdiction for the appointment of a successor issuing and paying agent. The Agent shall be reimbursed for any and all expenses in connection with any such petition and appointment.

(c) At the written request of the Issuer, on or after the Business Day following the date of termination of this Agreement, the Agent shall destroy all unissued Notes in the Agent's possession (or at the written request of the Issuer, transfer the Notes to the Issuer or the successor Issuing Agent), and shall transfer to the Issuer all funds, if any, then on deposit in the Agent IPA Account in accordance with the written instructions of the Issuer. The Agent shall promptly notify the Issuer of all Notes so destroyed.

(d) The Issuer shall not be responsible for any Notes issued by the Agent after the termination of this Agreement.

14. Amendments and Modifications. No amendment or modification or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by all the parties hereto.

15. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors, including successors by merger, and assigns; provided, however, that no party hereto may assign any of its rights or obligations hereunder, except with the prior written consent of the other parties hereto.

16. Governing Law; Waiver of Jury Trial; Jurisdiction.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE NOTES OR THIS AGREEMENT.

(b) Each party irrevocably and unconditionally submits to the exclusive jurisdiction of the United States Federal courts located in the Borough of Manhattan and the courts of the State of New York located in the Borough of Manhattan with respect to any legal suit, action or proceeding based on or arising out of this Agreement or the Notes. The Issuer agrees that any judgment

relating to this Agreement or the Notes obtained in the foregoing courts may be enforced or executed in any such other court of competent jurisdiction and irrevocably waives to the extent permitted by applicable law, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement any claim (i) that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure to serve process in accordance with this Section 16, (ii) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (iii) to the fullest extent permitted by applicable law that (1) the suit, action or proceeding in such court is brought in an inconvenient forum, (2) the venue of such suit, action or proceeding is improper and/or (3) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

17. Execution in Counterparts. This Agreement may be executed in any number of counterparts; each counterpart, when so executed and delivered, shall be deemed to be an original; and all of which counterparts, taken together, shall constitute one and the same agreement.

18. Headings. Section headings used in this Agreement are for convenience of reference only and shall not affect the constitution or interpretation of this Agreement.

19. Compensation and Expenses. The Issuer shall pay the Agent from time to time following the execution of this Agreement such compensation for all services rendered by the Agent hereunder as agreed between the Agent and the Issuer. The Issuer shall reimburse the Agent upon the Agent's request for all reasonable expenses, disbursements and advances incurred or made by the Agent in accordance with the provisions of this Agreement except any expense or disbursement attributable to the Agent's gross negligence or willful misconduct.

20. Miscellaneous.

(a) No provision of this Agreement shall require the Agent to extend credit; to provide any financial accommodation to the Issuer or to incur any third party liability in the performance of any of the Agent's duties hereunder or in the exercise of any of the Agent's duties hereunder or in the exercise of any of the Agent's rights and powers hereunder.

(b) The Agent shall not be required to give any bond or surety in respect of the execution of the obligations created hereby or the powers granted hereunder.

(c) The Agent makes no representation as to, and shall have no responsibility for, the correctness of any statement contained in any offering materials or contained in this Agreement

that is attributable to the Issuer, or the validity or sufficiency of, this Agreement, the Notes or any documents or instruments referred to in this Agreement or as to or for the validity or collectability of any obligation contemplated by this Agreement other than those that are due by the Agent.

(d) The rights, privileges, protections, immunities and benefits given to the Agent, including, without limitation, the Agent's right to be indemnified, are extended to, and shall be enforceable by the Agent in each of the Agent's capacities hereunder, and each agent, custodian and other person employed to act hereunder.

(e) The Agent may accept deposits from and generally engage in any kind of banking or other business with the Issuer and may act on, or as depository, trustee or agent for, any committee or body of holders of the Notes or other obligations of the Issuer, notwithstanding the Agent's appointment hereunder.

(f) Unless otherwise required by law, Money held by the Agent hereunder need not be segregated from other funds except to the extent required by law or the specific provisions hereof or of any other agreement between the Agent and the Issuer.

(g) The parties hereto acknowledge that in accordance with Section 326 of the USA Patriot Act, the Agent, like all financial institutions and in order to help fight the funding of terrorism and money laundering, are required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Agent. The Issuer agrees that it will provide or cause to be provided to the Agent such information as it may be required to provide to satisfy the requirements of the USA Patriot Act, within the limits permitted by any applicable law, regulation or rule by which the Issuer is bound.

(h) The Agent shall have no responsibility or liability for any tax withholding in relation to the Notes or this Agreement and shall not be responsible for the preparation or filing of any tax reporting for or on behalf of the Issuer.

21. Force Majeure. In no event shall either party be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities or communications services; it being understood that in the case of the Agent, it shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their behalf by duly authorized officers as of the day and year first-above written.

BNP Paribas, acting through its New York
branch

Arrow Electronics, Inc.

/s/ Claudine Gallagher

Name: Claudine Gallagher

Title: Head of North America BNP Paribas
Securities Services

/s/ Gregory Hanson

Name: Gregory Hanson

Title: VP and Treasurer

/s/ Cyril Guerrier

Name: Cyril Guerrier

Title: Managing Director, BNP Paribas

/s/ Terry Rasmussen

Name: Terry Rasmussen

Title: Assistant Treasurer

/s/ Paul J. Reilly

Name: Paul J. Reilly

Title: Executive VP and CFO

Exhibit A

FORM OF INCUMBENCY CERTIFICATE

The undersigned, G. Tarpinian, being the Asst. Secy. of Arrow Electronics, Inc. (the "Issuer"), does hereby certify that the individuals listed below are qualified and acting officers of the Issuer as set forth in the right column opposite their respective names and the signatures appearing in the extreme right column opposite the name of each such officer is a true specimen of the genuine signature of such officer and such individuals have the authority to execute documents to be delivered to, or upon the request of, BNP Paribas, acting through its New York branch, as Issuing Agent, Paying Agent and Depository (the "Agent") under the Issuing and Paying Agency Agreement dated as of [Oct. 20], 2014, by and among the Issuer and the Agent.

Name	Title	Signature
Gregory Hanson	VP and Treasurer	<u>/s/ Gregory Hanson</u>
Terry Rasmussen	Assistant Treasurer	<u>/s/ Terry Rasmussen</u>
Paul J. Reilly	Executive VP and CFO	<u>/s/ Paul J. Reilly</u>

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Certificate as of the 15 day of Oct., 2014.

/s/ Gregory Tarpinian
 Name: Gregory Tarpinian
 Title: Assistant Secretary

Arrow Electronics, Inc.
Certification of Chief Executive Officer Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Michael J. Long, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arrow Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2014

By: /s/ Michael J. Long

Michael J. Long

Chairman, President, and Chief Executive Officer

Arrow Electronics, Inc.
Certification of Chief Financial Officer Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Paul J. Reilly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arrow Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2014

By: /s/ Paul J. Reilly

Paul J. Reilly
Executive Vice President, Finance and Operations,
and Chief Financial Officer

Arrow Electronics, Inc.
Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant
to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906")

In connection with the Quarterly Report on Form 10-Q of Arrow Electronics, Inc. (the "company") for the quarter ended September 27, 2014 (the "Report"), I, Michael J. Long, Chairman, President, and Chief Executive Officer of the company, certify, pursuant to the requirements of Section 906, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: October 29, 2014

By: /s/ Michael J. Long

Michael J. Long

Chairman, President, and Chief Executive
Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the company and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.

Arrow Electronics, Inc.
Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906")

In connection with the Quarterly Report on Form 10-Q of Arrow Electronics, Inc. (the "company") for the quarter ended September 27, 2014 (the "Report"), I, Paul J. Reilly, Executive Vice President, Finance and Operations, and Chief Financial Officer of the company, certify, pursuant to the requirements of Section 906, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: October 29, 2014

By: /s/ Paul J. Reilly

Paul J. Reilly

Executive Vice President, Finance and
Operations, and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the company and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.

