

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 June 27, 2015

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)

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

9201 East Dry Creek Road, Centennial, Colorado
(Address of principal executive offices)

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 94,420,368 shares of Common Stock outstanding as of July 24, 2015.

ARROW ELECTRONICS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Quarter Ended		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Sales	\$ 5,829,989	\$ 5,676,539	\$ 10,832,374	\$ 10,758,579
Costs and expenses:				
Cost of sales	5,061,394	4,929,018	9,378,457	9,307,230
Selling, general, and administrative expenses	504,754	489,908	959,284	967,811
Depreciation and amortization	39,751	39,712	76,913	76,283
Restructuring, integration, and other charges	17,147	9,632	33,343	21,246
	5,623,046	5,468,270	10,447,997	10,372,570
Operating income	206,943	208,269	384,377	386,009
Equity in earnings of affiliated companies	1,903	1,181	3,216	2,598
Interest and other financing expense, net	34,696	28,920	65,550	58,557
Other	1,500	—	2,435	—
Income before income taxes	172,650	180,530	319,608	330,050
Provision for income taxes	47,967	52,470	88,834	94,798
Consolidated net income	124,683	128,060	230,774	235,252
Noncontrolling interests	751	176	784	248
Net income attributable to shareholders	\$ 123,932	\$ 127,884	\$ 229,990	\$ 235,004
Net income per share:				
Basic	\$ 1.30	\$ 1.29	\$ 2.40	\$ 2.36
Diluted	\$ 1.28	\$ 1.27	\$ 2.37	\$ 2.33
Weighted-average shares outstanding:				
Basic	95,638	99,449	95,776	99,695
Diluted	96,649	100,562	96,874	100,980

See accompanying notes.

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

	Quarter Ended		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Consolidated net income	\$ 124,683	\$ 128,060	\$ 230,774	\$ 235,252
Other comprehensive income:				
Foreign currency translation adjustment	47,727	(14,222)	(150,660)	(24,729)
Unrealized gain on investment securities, net	2,169	5,134	2,293	5,730
Unrealized gain (loss) on interest rate swaps designated as cash flow hedges, net	(230)	100	693	199
Employee benefit plan items, net	882	553	1,724	1,106
Other comprehensive income (loss)	50,548	(8,435)	(145,950)	(17,694)
Comprehensive income	175,231	119,625	84,824	217,558
Less: Comprehensive income attributable to noncontrolling interests	751	176	784	248
Comprehensive income attributable to shareholders	\$ 174,480	\$ 119,449	\$ 84,040	\$ 217,310

See accompanying notes.

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

	June 27, 2015	December 31, 2014
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 399,721	\$ 400,355
Accounts receivable, net	5,084,531	6,043,850
Inventories	2,517,815	2,335,257
Other current assets	301,066	253,145
Total current assets	8,303,133	9,032,607
Property, plant, and equipment, at cost:		
Land	23,590	23,770
Buildings and improvements	159,470	144,530
Machinery and equipment	1,202,214	1,146,045
	1,385,274	1,314,345
Less: Accumulated depreciation and amortization	(713,826)	(678,046)
Property, plant, and equipment, net	671,448	636,299
Investments in affiliated companies	72,774	69,124
Intangible assets, net	424,770	335,711
Cost in excess of net assets of companies acquired	2,341,472	2,069,209
Other assets	298,217	292,351
Total assets	\$ 12,111,814	\$ 12,435,301
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 4,171,131	\$ 5,027,103
Accrued expenses	719,232	797,464
Short-term borrowings, including current portion of long-term debt	86,806	13,454
Total current liabilities	4,977,169	5,838,021
Long-term debt	2,544,388	2,067,898
Other liabilities	410,333	370,471
Equity:		
Shareholders' equity:		
Common stock, par value \$1:		
Authorized - 160,000 shares in both 2015 and 2014		
Issued - 125,424 shares in both 2015 and 2014		
	125,424	125,424
Capital in excess of par value	1,083,885	1,086,082
Treasury stock (31,008 and 29,529 shares in 2015 and 2014, respectively), at cost	(1,281,456)	(1,169,673)
Retained earnings	4,406,744	4,176,754
Accumulated other comprehensive loss	(210,567)	(64,617)
Total shareholders' equity	4,124,030	4,153,970
Noncontrolling interests	55,894	4,941
Total equity	4,179,924	4,158,911
Total liabilities and equity	\$ 12,111,814	\$ 12,435,301

See accompanying notes.

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

	Six Months Ended	
	June 27, 2015	June 28, 2014
Cash flows from operating activities:		
Consolidated net income	\$ 230,774	\$ 235,252
Adjustments to reconcile consolidated net income to net cash provided by operations:		
Depreciation and amortization	76,913	76,283
Amortization of stock-based compensation	22,006	20,167
Equity in earnings of affiliated companies	(3,216)	(2,598)
Deferred income taxes	26,506	15,979
Restructuring, integration, and other charges	25,463	15,546
Excess tax benefits from stock-based compensation arrangements	(5,842)	(6,248)
Other	4,574	1,372
Change in assets and liabilities, net of effects of acquired businesses:		
Accounts receivable	1,079,153	597,926
Inventories	(82,825)	(130,669)
Accounts payable	(1,020,150)	(410,063)
Accrued expenses	(124,829)	(107,937)
Other assets and liabilities	(9,089)	(21,538)
Net cash provided by operating activities	219,438	283,472
Cash flows from investing activities:		
Cash consideration paid for acquired businesses	(470,674)	(60,224)
Acquisition of property, plant, and equipment	(68,820)	(62,003)
Other	2,008	—
Net cash used for investing activities	(537,486)	(122,227)
Cash flows from financing activities:		
Change in short-term and other borrowings	(3,817)	(9,904)
Proceeds from (repayment of) long-term bank borrowings, net	34,400	(120,000)
Net proceeds from note offering	688,162	—
Redemption of notes	(254,313)	—
Proceeds from exercise of stock options	14,474	18,321
Excess tax benefits from stock-based compensation arrangements	5,842	6,248
Repurchases of common stock	(156,424)	(138,811)
Other	(3,000)	—
Net cash provided by (used for) financing activities	325,324	(244,146)
Effect of exchange rate changes on cash	(7,910)	1,235
Net decrease in cash and cash equivalents	(634)	(81,666)
Cash and cash equivalents at beginning of period	400,355	390,602
Cash and cash equivalents at end of period	\$ 399,721	\$ 308,936

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 audited consolidated financial statements and accompanying notes for the year ended December 31, 2014, 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 April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest* (Subtopic 835-30) ("ASU No. 2015-03"). ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the corresponding debt liability. ASU No. 2015-03 is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted, and is to be applied on a retrospective basis. Effective January 1, 2015, the company adopted the provisions of ASU No. 2015-03. The adoption of the provisions of ASU No. 2015-03 did not materially impact the company's consolidated financial position or results of operations. Prior period amounts were reclassified to conform to the current period presentation.

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, 2017, with early application permitted for interim and annual periods beginning after December 15, 2016. 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.

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

ARROW ELECTRONICS, INC.
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(Dollars in thousands except per share data)
(Unaudited)

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.

2015 Acquisitions

On March 31, 2015, the company acquired immixGroup, Inc. ("immixGroup"), for a purchase price of \$279,271, which included \$32,566 of cash acquired. immixGroup is a value-added provider supporting value-added resellers, solution providers, service providers, and other public sector channel partners with specialized resources to accelerate their government sales. immixGroup has operations in North America.

Since the date of the acquisition, immixGroup sales for the second quarter of 2015 of \$96,524 were included in the company's consolidated results of operations.

The following table summarizes the preliminary allocation of the net consideration paid to the fair value of the assets acquired and liabilities assumed for the immixGroup acquisition:

Accounts receivable, net	\$ 157,130
Other current assets	34,269
Property, plant, and equipment	1,569
Other assets	5,313
Identifiable intangible assets	60,000
Cost in excess of net assets acquired	154,591
Accounts payable	(136,921)
Accrued expenses	(23,719)
Other liabilities	(5,527)
Cash consideration paid, net of cash acquired	<u>\$ 246,705</u>

In connection with the immixGroup acquisition, the company allocated \$60,000 to customer relationships with a weighted-average life of 8 years.

The cost in excess of net assets acquired related to the immixGroup acquisition was recorded in the company's global ECS business segment. The intangible assets related to the immixGroup acquisition are expected to be deductible for income tax purposes.

During the first six months of 2015, the company completed five additional acquisitions for an aggregate purchase price of approximately \$223,969, net of cash acquired, inclusive of a 53.7% acquisition of Data Modul AG. The company also assumed \$84,487 in debt in connection with these acquisitions. 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 second quarter and first six months of 2015, as well as the unaudited pro forma consolidated results of operations of the company, as though the 2015 acquisitions occurred on January 1, 2015:

	Quarter Ended		Six Months Ended	
	June 27, 2015		June 27, 2015	
	As Reported	Pro Forma	As Reported	Pro Forma
Sales	\$ 5,829,989	\$ 5,877,711	\$ 10,832,374	\$ 11,172,766
Net income attributable to shareholders	123,932	124,192	229,990	234,151
Net income per share:				
Basic	\$ 1.30	\$ 1.30	\$ 2.40	\$ 2.44
Diluted	\$ 1.28	\$ 1.28	\$ 2.37	\$ 2.42

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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 2015, 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.

2014 Acquisitions

During 2014, the company completed five acquisitions. The aggregate consideration paid for these acquisitions was \$162,881, 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 second quarter and first six months of 2014 as though these acquisitions occurred on January 1, 2014 was also not material.

The following table summarizes the company's unaudited consolidated results of operations for the second quarter and first six months of 2014, as well as the unaudited pro forma consolidated results of operations of the company, as though the 2014 and 2015 acquisitions occurred on January 1, 2014:

	Quarter Ended		Six Months Ended	
	June 28, 2014		June 28, 2014	
	As Reported	Pro Forma	As Reported	Pro Forma
Sales	\$ 5,676,539	\$ 6,003,830	\$ 10,758,579	\$ 11,383,075
Net income attributable to shareholders	127,884	133,351	235,004	242,682
Net income per share:				
Basic	\$ 1.29	\$ 1.34	\$ 2.36	\$ 2.43
Diluted	\$ 1.27	\$ 1.33	\$ 2.33	\$ 2.40

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 2014, 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, 2014 (a)	\$ 1,051,783	\$ 1,017,426	\$ 2,069,209
Acquisitions	156,839	154,605	311,444
Foreign currency translation adjustment	75	(39,256)	(39,181)
Balance as of June 27, 2015 (a)	\$ 1,208,697	\$ 1,132,775	\$ 2,341,472

- (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 June 27, 2015:

	Weighted-Average Life	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	indefinite	\$ 101,000	\$ —	\$ 101,000
Customer relationships	10 years	509,735	(192,664)	317,071
Developed technology	5 years	12,994	(6,458)	6,536
Other intangible assets	(b)	936	(773)	163
		<u>\$ 624,665</u>	<u>\$ (199,895)</u>	<u>\$ 424,770</u>

Intangible assets, net, are comprised of the following as of December 31, 2014:

	Weighted-Average Life	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	indefinite	\$ 101,000	\$ —	\$ 101,000
Customer relationships	10 years	402,036	(171,071)	230,965
Developed technology	5 years	8,806	(5,444)	3,362
Other intangible assets	(b)	1,719	(1,335)	384
		<u>\$ 513,561</u>	<u>\$ (177,850)</u>	<u>\$ 335,711</u>

(b) Consists of non-competition agreements with useful lives ranging from two to three years.

During the second quarters of 2015 and 2014, the company recorded amortization expense related to identifiable intangible assets of \$13,917 (\$11,169 net of related taxes or \$.12 per share on both a basic and diluted basis) and \$10,870 (\$8,867 net of related taxes or \$.09 per share on both a basic and diluted basis), respectively.

During the first six months of 2015 and 2014, the company recorded amortization expense related to identifiable intangible assets of \$25,024 (\$20,198 net of related taxes or \$.21 per share on both a basic and diluted basis) and \$21,817 (\$17,774 net of related taxes or \$.18 per share on both a basic and diluted basis), 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. As a result of one of the company's 2015 acquisitions, the company acquired a 50% interest in two immaterial joint ventures which are included in "Other" in the tables below. These investments are accounted for using the equity method.

The following table presents the company's investment in the following joint ventures:

	June 27, 2015	December 31, 2014
Marubun/Arrow	\$ 59,824	\$ 58,617
Altech Industries	10,311	10,507
Other	2,639	—
	<u>\$ 72,774</u>	<u>\$ 69,124</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		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Marubun/Arrow	\$ 1,609	\$ 975	\$ 2,753	\$ 2,123
Altech Industries	201	206	332	475
Other	93	—	131	—
	<u>\$ 1,903</u>	<u>\$ 1,181</u>	<u>\$ 3,216</u>	<u>\$ 2,598</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 June 27, 2015, the company's pro-rata share of this debt was approximately \$400. 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:

	June 27, 2015	December 31, 2014
Accounts receivable	\$ 5,137,372	\$ 6,103,038
Allowances for doubtful accounts	(52,841)	(59,188)
Accounts receivable, net	<u>\$ 5,084,531</u>	<u>\$ 6,043,850</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.

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

Note G – Debt

At June 27, 2015 and December 31, 2014, short-term borrowings of \$86,806 and \$13,454, respectively, were primarily utilized to support the working capital requirements of certain international operations. The weighted-average interest rates on these borrowings at June 27, 2015 and December 31, 2014 were 1.4% and 3.8%, respectively.

Long-term debt consists of the following:

	June 27, 2015	December 31, 2014
Revolving credit facility	\$ 19,400	\$ —
Asset securitization program	290,000	275,000
3.375% notes, due 2015	—	251,955
6.875% senior debentures, due 2018	198,655	198,424
3.00% notes, due 2018	297,799	297,408
6.00% notes, due 2020	298,807	298,680
5.125% notes, due 2021	248,427	248,287
3.50% notes, due 2022	344,714	—
4.50% notes, due 2023	295,976	295,765
4.00% notes, due 2025	343,833	—
7.50% senior debentures, due 2027	198,292	198,219
Interest rate swaps designated as fair value hedges	551	378
Other obligations with various interest rates and due dates	7,934	3,782
	<u>\$ 2,544,388</u>	<u>\$ 2,067,898</u>

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, 3.50% notes, 4.50% notes, and 4.00% 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:

	June 27, 2015	December 31, 2014
3.375% notes, due 2015	\$ —	\$ 255,000
6.875% senior debentures, due 2018	224,000	232,000
3.00% notes, due 2018	306,000	309,000
6.00% notes, due 2020	333,000	339,000
5.125% notes, due 2021	265,000	277,500
3.50% notes, due 2022	343,000	—
4.50% notes, due 2023	300,000	321,000
4.00% notes, due 2025	343,000	—
7.50% senior debentures, due 2027	236,000	254,000

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 June 27, 2015), which is based on the company's credit ratings, or an effective interest rate of 1.42% at June 27, 2015.

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

The facility fee is .20%. At June 27, 2015, the company had \$19,400 in outstanding borrowings under the revolving credit facility. There were no outstanding borrowings under the revolving credit facility at December 31, 2014.

The company has an asset securitization program collateralized by accounts receivable of certain of its subsidiaries. The company may borrow up to \$900,000 under the asset securitization program, which matures 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 June 27, 2015), which is based on the company's credit ratings, or an effective interest rate of .63% at June 27, 2015. The facility fee is .40%.

At June 27, 2015 and December 31, 2014, the company had \$290,000 and \$275,000, 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 \$1,534,198 and \$2,060,589, 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 and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of June 27, 2015 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

During the first six months of 2015, the company completed the sale of \$350,000 principal amount of 3.50% notes due in 2022 and \$350,000 principal amount of 4.00% notes due in 2025. The net proceeds of the offering of \$688,162 were used to refinance the company's 3.375% notes due November 2015 and for general corporate purposes.

During the first six months of 2015, the company redeemed \$250,000 principal amount of its 3.375% notes due November 2015. The related loss on the redemption for the first six months of 2015 aggregated \$2,943 (\$1,808 net of related taxes or \$.02 per share on both a basic and diluted basis) and was recognized as a loss on prepayment of debt which was included in "Other" in the company's consolidated statements of operations.

During 2014, the company entered into an agreement for an uncommitted line of credit. Under this agreement, the company may borrow up to a total of \$100,000. There were no outstanding borrowings under the uncommitted line of credit at June 27, 2015 and December 31, 2014.

Interest and other financing expense, net, includes interest and dividend income of \$1,489 and \$2,462 for the second quarter and first six months of 2015 and \$750 and \$1,529 for the second quarter and first six months of 2014, 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. |

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The following table presents assets (liabilities) measured at fair value on a recurring basis at June 27, 2015:

	Level 1	Level 2	Level 3	Total
Available-for-sale securities	\$ 42,814	\$ —	\$ —	\$ 42,814
Interest rate swaps	—	569	—	569
Foreign exchange contracts	—	867	—	867
Contingent consideration	—	—	(3,528)	(3,528)
	<u>\$ 42,814</u>	<u>\$ 1,436</u>	<u>\$ (3,528)</u>	<u>\$ 40,722</u>

The following table presents assets (liabilities) measured at fair value on a recurring basis at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 99,000	\$ —	\$ —	\$ 99,000
Available-for-sale securities	38,109	—	—	38,109
Interest rate swaps	—	378	—	378
Foreign exchange contracts	—	694	—	694
Contingent consideration	—	—	(6,202)	(6,202)
	<u>\$ 137,109</u>	<u>\$ 1,072</u>	<u>\$ (6,202)</u>	<u>\$ 131,979</u>

The following table summarizes the Level 3 activity for the first six months of 2015:

Balance as of December 31, 2014	\$ (6,202)
Fair value of initial contingent consideration	—
Change in fair value of contingent consideration included in earnings	(448)
Payment of contingent consideration (a)	3,000
Foreign currency translation adjustment	122
Balance as of June 27, 2015	<u>\$ (3,528)</u>

(a) Contingent consideration payment relates to an acquisition completed prior to 2015.

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 six months of 2015 and 2014, 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.

The fair value of the company's available-for-sale securities at June 27, 2015 is as follows:

	Marubun	Mutual Funds
Cost basis	\$ 10,016	\$ 16,617
Unrealized holding gain	8,805	7,376
Fair value	<u>\$ 18,821</u>	<u>\$ 23,993</u>

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The fair value of the company's available-for-sale securities at December 31, 2014 is as follows:

	Marubun	Mutual Funds
Cost basis	\$ 10,016	\$ 16,233
Unrealized holding gain	6,174	5,686
Fair value	<u>\$ 16,190</u>	<u>\$ 21,919</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 loss" 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 loss." 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.

In January 2015, the company entered into four seven-year forward-starting interest rate swaps (the "2015 swaps") which locked in an average treasury rate of 1.98% on a total aggregate notional amount of \$200,000. These 2015 swaps were designated as cash flow hedges and managed the risk associated with changes in treasury rates and the impact of future interest payments on the anticipated debt issuances to replace the company's 3.375% notes due to mature in November 2015. In February 2015, the company received \$896 in connection with the termination of the 2015 swaps upon issuance of the seven-year notes due in 2022. The fair value of the 2015 swaps is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive loss" and is being reclassified into income over the seven-year term of the notes due in 2022. For the 2015 swaps, the company reclassified into income \$30 and \$39 for the second quarter and first six months of 2015, respectively.

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 interest rate of 4.30% at June 27, 2015), through its maturity. The swap is classified as a fair value hedge and had a fair value of \$372 at June 27, 2015.

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 interest rate of 5.72% at June 27, 2015), through its maturity. The swap is classified as a fair value hedge and had a fair value of \$197 at June 27, 2015.

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

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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 June 27, 2015 and December 31, 2014 was \$372,100 and \$401,048, respectively.

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

	Asset (Liability) Derivatives		
	Balance Sheet Location	Fair Value	
		June 27, 2015	December 31, 2014
Derivative instruments designated as hedges:			
Interest rate swaps designated as fair value hedges	Other liabilities	\$ —	\$ (3)
Interest rate swaps designated as fair value hedges	Other assets	569	381
Foreign exchange contracts designated as cash flow hedges	Other current assets	2,337	960
Foreign exchange contracts designated as cash flow hedges	Accrued expenses	(597)	(376)
Foreign exchange contracts designated as fair value hedges	Other current assets	3	—
Foreign exchange contracts designated as fair value hedges	Accrued expenses	(20)	—
Total derivative instruments designated as hedging instruments		2,292	962
Derivative instruments not designated as hedges:			
Foreign exchange contracts	Other current assets	972	2,404
Foreign exchange contracts	Accrued expenses	(1,828)	(2,294)
Total derivative instruments not designated as hedging instruments		(856)	110
Total		\$ 1,436	\$ 1,072

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

	Gain (Loss) Recognized in Income			
	Quarter Ended		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Fair value hedges:				
Interest rate swaps (a)	\$ —	\$ —	\$ —	\$ —
Foreign exchange contracts (b)	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —
Derivative instruments not designated as hedges:				
Foreign exchange contracts (b)	\$ (1,187)	\$ (1,685)	\$ (379)	\$ 228
Total	\$ (1,187)	\$ (1,685)	\$ (379)	\$ 228

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	Cash Flow Hedges			
	Quarter Ended		Six Months Ended	
	June 27, 2015		June 27, 2015	
	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	\$ —	\$ (2,245)	\$ 827	\$ 437
Gain (loss) reclassified into income	\$ (141)	\$ 163	\$ (302)	\$ (678)
Ineffective portion:				
Gain recognized in income	\$ —	\$ —	\$ 69	\$ —

	Cash Flow Hedges			
	Quarter Ended		Six Months Ended	
	June 28, 2014		June 28, 2014	
	Interest Rate Swaps (c)	Foreign Exchange Contracts (d)	Interest Rate Swaps (c)	Foreign Exchange Contracts (d)
Effective portion:				
Loss recognized in other comprehensive income	\$ —	\$ (22)	\$ —	\$ (390)
Gain (loss) reclassified into income	\$ (163)	\$ (69)	\$ (324)	\$ 67
Ineffective portion:				
Gain (loss) recognized in income	\$ —	\$ —	\$ —	\$ —

- (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. The gain (loss) amounts reclassified into income relate to the termination of swaps.
- (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.

Contingent Consideration

The company estimates the fair value of contingent consideration as the present value of the expected contingent payments, determined using the weighted probability of the possible payments. The company reassesses the fair value of the contingent consideration on a quarterly basis. At June 27, 2015, contingent consideration of \$3,528 was included in "Accrued Expenses" in the company's consolidated balance sheet in connection with two acquisitions prior to 2015. There was no contingent consideration recorded in connection with the 2015 acquisitions. For the acquisitions completed prior to 2015, payment of a portion of the respective purchase price is contingent upon the achievement of certain operating results, with a remaining maximum possible payout of \$8,400 in 2016. 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 June 27, 2015.

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.

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Note I – Restructuring, Integration, and Other Charges

During the second quarters of 2015 and 2014, the company recorded restructuring, integration, and other charges of \$17,147 (\$12,895 net of related taxes or \$.13 per share on both a basic and diluted basis) and \$9,632 (\$7,526 net of related taxes or \$.08 and \$.07 per share on a basic and diluted basis, respectively), respectively.

During the first six months of 2015 and 2014, the company recorded restructuring, integration, and other charges of \$33,343 (\$25,463 net of related taxes or \$.27 and \$.26 per share on a basic and diluted basis, respectively) and \$21,246 (\$15,546 net of related taxes or \$.16 and \$.15 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		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Restructuring and integration charge - current period actions	\$ 9,875	\$ 10,993	\$ 19,185	\$ 21,406
Restructuring and integration charges (credits) - actions taken in prior periods	268	(513)	678	(351)
Acquisition-related expenses (credits)	7,004	(848)	13,480	191
	<u>\$ 17,147</u>	<u>\$ 9,632</u>	<u>\$ 33,343</u>	<u>\$ 21,246</u>

2015 Restructuring and Integration Charge

The following table presents the components of the 2015 restructuring and integration charge of \$19,185 and activity in the related restructuring and integration accrual for the first six months of 2015:

	Personnel Costs	Facilities Costs	Other	Total
Restructuring and integration charge	\$ 16,486	\$ 1,814	\$ 885	\$ 19,185
Payments	(9,166)	(1,078)	(96)	(10,340)
Non-cash usage	—	(9)	(607)	(616)
Foreign currency translation	79	5	(26)	58
Balance as of June 27, 2015	<u>\$ 7,399</u>	<u>\$ 732</u>	<u>\$ 156</u>	<u>\$ 8,287</u>

The restructuring and integration charge of \$19,185 for the first six months of 2015 includes personnel costs of \$16,486, facilities costs of \$1,814, and other costs of \$885. 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.

2014 Restructuring and Integration Charge

The following table presents the activity in the restructuring and integration accrual for the first six months of 2015 related to the 2014 restructuring and integration:

	Personnel Costs	Facilities Costs	Other	Total
Balance as of December 31, 2014	\$ 8,622	\$ 2,479	\$ 1,247	\$ 12,348
Restructuring and integration charge (credit)	219	(87)	369	501
Payments	(4,689)	(1,027)	(652)	(6,368)
Non-cash usage	—	—	(476)	(476)
Foreign currency translation	(456)	(81)	—	(537)
Balance as of June 27, 2015	<u>\$ 3,696</u>	<u>\$ 1,284</u>	<u>\$ 488</u>	<u>\$ 5,468</u>

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Restructuring and Integration Accruals Related to Actions Taken Prior to 2014

The following table presents the activity in the restructuring and integration accruals for the first six months of 2015 related to restructuring and integration actions taken prior to 2014:

	Personnel Costs	Facilities Costs	Other	Total
Balance as of December 31, 2014	\$ 2,519	\$ 3,025	\$ 91	\$ 5,635
Restructuring and integration charges (credits)	(449)	626	—	177
Payments	(547)	(2,166)	(84)	(2,797)
Non-cash usage	(60)	71	—	11
Foreign currency translation	(132)	47	(7)	(92)
Balance as of June 27, 2015	<u>\$ 1,331</u>	<u>\$ 1,603</u>	<u>\$ —</u>	<u>\$ 2,934</u>

Restructuring and Integration Accrual Summary

In summary, the restructuring and integration accruals aggregate \$16,689 at June 27, 2015, all of which are expected to be spent in cash, and are expected to be utilized as follows:

- The accruals for personnel costs totaling \$12,426 relate to the termination of personnel and are primarily expected to be spent within one year.
- The accruals for facilities totaling \$3,619 relate to vacated leased properties that have scheduled payments of \$2,314 in 2015, \$964 in 2016, \$189 in 2017, and \$152 in 2018.
- Other accruals of \$644 are expected to be spent within one year.

Acquisition-Related Expenses and Other Charges

Included in restructuring, integration, and other charges for the second quarter and first six months of 2015 are acquisition-related expenses of \$7,004 and \$13,480, respectively, 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 and other fees directly related to recent acquisition activity.

Included in restructuring, integration, and other charges for the second quarter and first six months of 2014 are acquisition-related expenses (credits) of \$(848) and \$191, respectively, primarily consisting of professional fees directly related to recent acquisition activity, offset by an insurance recovery related to environmental matters in connection with the Wyle Electronics ("Wyle") acquisition.

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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		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Net income attributable to shareholders	\$ 123,932	\$ 127,884	\$ 229,990	\$ 235,004
Weighted-average shares outstanding - basic	95,638	99,449	95,776	99,695
Net effect of various dilutive stock-based compensation awards	1,011	1,113	1,098	1,285
Weighted-average shares outstanding - diluted	96,649	100,562	96,874	100,980
Net income per share:				
Basic	\$ 1.30	\$ 1.29	\$ 2.40	\$ 2.36
Diluted (a)	\$ 1.28	\$ 1.27	\$ 2.37	\$ 2.33

- (a) Stock-based compensation awards for the issuance of 709 and 607 shares for the second quarter and first six months of 2015 and 316 and 241 shares for the second quarter and first six months of 2014, respectively, were excluded from the computation of net income per share on a diluted basis as their effect was anti-dilutive.

Note K – Shareholders' Equity

Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in accumulated other comprehensive income (loss), excluding non-controlling interests:

	Quarter Ended		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Foreign Currency Translation Adjustment:				
Other comprehensive income (loss) before reclassifications (a)	\$ 47,890	\$ (14,291)	\$ (151,338)	\$ (24,662)
Amounts reclassified into income	(163)	69	678	(67)
Unrealized Gain on Investment Securities, Net:				
Other comprehensive income before reclassifications	2,169	5,134	2,293	5,730
Amounts reclassified into income	—	—	—	—
Unrealized Gain (Loss) on Interest Rate Swaps Designated as Cash Flow Hedges, Net:				
Other comprehensive income (loss) before reclassifications	(346)	—	550	—
Amounts reclassified into income	116	100	143	199
Employee Benefit Plan Items, Net:				
Other comprehensive income before reclassifications	35	37	69	73
Amounts reclassified into income	847	516	1,655	1,033
Net change in accumulated other comprehensive income (loss)	\$ 50,548	\$ (8,435)	\$ (145,950)	\$ (17,694)

- (a) Includes intra-entity foreign currency transactions that are of a long-term investment nature of \$600 and \$45,863 for the second quarter and first six months of 2015 and \$13,073 and \$19,470 for the second quarter and first six months of 2014, respectively.

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Share-Repurchase Programs

During 2014, the company's Board of Directors (the "Board") approved the repurchase of up to \$400,000 (\$200,000 in May and December, respectively) of the company's common stock through a share-repurchase program. As of June 27, 2015, the company repurchased 4,955,350 shares under these programs with a market value of \$280,597 at the dates of repurchase, of which 1,303,642 shares with a market value of \$77,694 were repurchased during the second quarter of 2015.

Note L – 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 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

In February 2015, the company and the Alabama Department of Environmental Management ("ADEM") finalized and executed a consent decree in connection with the Huntsville, Alabama site. Characterization of the extent of contaminated soil and groundwater continues at the site. Under the direction of the ADEM, approximately \$4,000 was spent to date. The pace of the ongoing remedial investigations, project management, and regulatory oversight is likely to increase 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

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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 \$48,000 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 \$16,300 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. In January 2015, the Court of Appeals confirmed the French court's ruling; however, the ruling remains subject to a final appeal 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.

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

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participation in the database program. At this time, 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 M – 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		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Sales:				
Global components	\$ 3,698,175	\$ 3,569,344	\$ 7,044,938	\$ 6,990,525
Global ECS	2,131,814	2,107,195	3,787,436	3,768,054
Consolidated	<u>\$ 5,829,989</u>	<u>\$ 5,676,539</u>	<u>\$ 10,832,374</u>	<u>\$ 10,758,579</u>
Operating income (loss):				
Global components	\$ 169,817	\$ 159,642	\$ 334,712	\$ 320,788
Global ECS	98,394	95,990	165,911	160,148
Corporate (a)	(61,268)	(47,363)	(116,246)	(94,927)
Consolidated	<u>\$ 206,943</u>	<u>\$ 208,269</u>	<u>\$ 384,377</u>	<u>\$ 386,009</u>

(a) Includes restructuring, integration, and other charges of \$17,147 and \$33,343 for the second quarter and first six months of 2015 and \$9,632 and \$21,246 for the second quarter and first six months of 2014, respectively.

Total assets, by segment, are as follows:

	June 27, 2015	December 31, 2014
Global components	\$ 7,598,165	\$ 6,952,342
Global ECS	3,832,796	4,761,628
Corporate	680,853	721,331
Consolidated	<u>\$ 12,111,814</u>	<u>\$ 12,435,301</u>

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Sales, by geographic area, are as follows:

	Quarter Ended		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Americas (b)	\$ 2,912,126	\$ 2,802,626	\$ 5,374,315	\$ 5,200,058
EMEA (c)	1,665,013	1,761,961	3,169,937	3,415,873
Asia/Pacific	1,252,850	1,111,952	2,288,122	2,142,648
Consolidated	\$ 5,829,989	\$ 5,676,539	\$ 10,832,374	\$ 10,758,579

(b) Includes sales related to the United States of \$2,702,783 and \$4,953,205 for the second quarter and first six months of 2015 and \$2,581,909 and \$4,756,574 for the second quarter and first six months of 2014, respectively.

(c) Defined as Europe, the Middle East, and Africa.

Net property, plant, and equipment, by geographic area, is as follows:

	June 27, 2015	December 31, 2014
Americas (d)	\$ 553,498	\$ 537,967
EMEA	93,226	76,487
Asia/Pacific	24,724	21,845
Consolidated	\$ 671,448	\$ 636,299

(d) Includes net property, plant, and equipment related to the United States of \$551,048 and \$535,397 at June 27, 2015 and December 31, 2014, 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 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 provides 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 six months of 2015, 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.

Executive Summary

Consolidated sales for the second quarter and first six months of 2015 increased by 2.7% and 0.7%, respectively, compared with the year-earlier periods. The increase for the second quarter and first six months of 2015 was driven by an increase in the global components business segment sales of 3.6% and 0.8%, respectively, and an increase in the global ECS business segment sales of 1.2% and 0.5%, respectively. Adjusted for changes in foreign currencies and acquisitions, consolidated sales increased 2.8% and 3.1%, for the second quarter and first six months of 2015, respectively, compared with the year-earlier periods.

Net income attributable to shareholders decreased to \$123.9 million and \$230.0 million in the second quarter and first six months of 2015, respectively, compared with net income attributable to shareholders of \$127.9 million and \$235.0 million in the year-earlier periods. The following items impacted the comparability of the company's results:

Second quarters of 2015 and 2014:

- restructuring, integration, and other charges of \$17.1 million (\$12.9 million net of related taxes) in 2015 and \$9.6 million (\$7.5 million net of related taxes) in 2014;
- identifiable intangible asset amortization of \$13.9 million (\$11.2 million net of related taxes) in 2015 and \$10.9 million (\$8.9 million net of related taxes) in 2014; and
- a loss on investment of \$1.5 million (\$0.9 million net of related taxes) in 2015.

First six months of 2015 and 2014:

- restructuring, integration, and other charges of \$33.3 million (\$25.5 million net of related taxes) in 2015 and \$21.2 million (\$15.5 million net of related taxes) in 2014;
- identifiable intangible asset amortization of \$25.0 million (\$20.2 million net of related taxes) in 2015 and \$21.8 million (\$17.8 million net of related taxes) in 2014;
- a loss on prepayment of debt of \$2.9 million (\$1.8 million net of related taxes) in 2015;
- a gain on sale of investment of \$2.0 million (\$1.7 million net of related taxes) in 2015; and
- a loss on investment of \$1.5 million (\$0.9 million net of related taxes) in 2015.

Excluding the aforementioned items, net income attributable to shareholders for the second quarter and first six months of 2015 increased to \$148.9 million and \$276.7 million, respectively, compared with \$144.3 million and \$268.3 million in the year-earlier periods.

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 earliest 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, loss on prepayment of debt, gain on sale of investment, and loss on investment.

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			Six Months Ended		
	June 27, 2015	June 28, 2014	% Change	June 27, 2015	June 28, 2014	% Change
Consolidated sales, as reported	\$ 5,830	\$ 5,677	2.7%	\$ 10,832	\$ 10,759	0.7%
Impact of changes in foreign currencies	—	(349)		—	(671)	
Impact of acquisitions	48	391		341	744	
Consolidated sales, as adjusted	\$ 5,878	\$ 5,719	2.8%	\$ 11,173	\$ 10,832	3.1%
Global components sales, as reported	\$ 3,698	\$ 3,569	3.6%	\$ 7,045	\$ 6,991	0.8%
Impact of changes in foreign currencies	—	(191)		—	(375)	
Impact of acquisitions	48	243		248	478	
Global components sales, as adjusted	\$ 3,746	\$ 3,621	3.4%	\$ 7,293	\$ 7,094	2.8%
Global ECS sales, as reported	\$ 2,132	\$ 2,107	1.2%	\$ 3,787	\$ 3,768	0.5%
Impact of changes in foreign currencies	—	(157)		—	(295)	
Impact of acquisitions	—	148		92	265	
Global ECS sales, as adjusted	\$ 2,132	\$ 2,098	1.6%	\$ 3,879	\$ 3,738	3.8%

Consolidated sales for the second quarter and first six months of 2015 increased by \$153.5 million, or 2.7%, and \$73.8 million, or 0.7%, respectively, compared with the year-earlier periods. The increase for the second quarter and first six months of 2015 was driven by an increase in global components business segment sales of \$128.8 million, or 3.6%, and \$54.4 million, or 0.8%, respectively, and by an increase in global ECS business segment sales of \$24.6 million, or 1.2%, and \$19.4 million, or 0.5%, respectively, compared with the year-earlier periods. Adjusted for changes in foreign currencies and acquisitions, consolidated sales increased 2.8% and 3.1%, for the second quarter and first six months of 2015, respectively, compared with the year-earlier periods.

In the global components business segment, sales for the second quarter and first six months of 2015 increased 3.6% and 0.8%, respectively, compared with the year-earlier periods, primarily due to increased demand in the Asia Pacific region. Adjusted for the

impact of changes in foreign currencies and acquisitions, the company's global components business segment sales increased by 3.4% and 2.8% for the second quarter and first six months of 2015, respectively, compared with the year-earlier periods.

In the global ECS business segment, sales for the second quarter and first six months of 2015 increased 1.2% and 0.5%, respectively, compared with the year-earlier periods. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's global ECS business segment sales increased by 1.6% and 3.8% for the second quarter and first six months of 2015, respectively, compared with the year-earlier periods.

Gross Profit

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

	Quarter Ended			Six Months Ended		
	June 27, 2015	June 28, 2014	% Change	June 27, 2015	June 28, 2014	% Change
Consolidated gross profit, as reported	\$ 769	\$ 748	2.8%	\$ 1,454	\$ 1,451	flat
Impact of changes in foreign currencies	—	(53)		—	(101)	
Impact of acquisitions	2	59		40	110	
Consolidated gross profit, as adjusted	\$ 771	\$ 754	2.2%	\$ 1,494	\$ 1,460	2.4%
Consolidated gross profit as a percentage of sales, as reported	13.2%	13.2%	flat	13.4%	13.5%	(10) bps
Consolidated gross profit as a percentage of sales, as adjusted	13.1%	13.2%	(10) bps	13.4%	13.5%	(10) bps

The company recorded gross profit of \$768.6 million and \$1.45 billion in the second quarter and first six months of 2015, respectively, compared with \$747.5 million and \$1.45 billion in the year-earlier periods. The increase in gross profit was primarily due to the aforementioned 2.7% and 0.7% increase in sales during the second quarter and first six months of 2015, respectively. Gross profit margins for the second quarter of 2015 were flat and decreased approximately 10 basis points for the first six months of 2015, 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 10 basis points for the second quarter and first six months of 2015, compared with the year-earlier periods. The decrease in gross profit margins is primarily due to increased competitive pricing pressure in the global ECS business segment as compared with the year-earlier period.

Selling, General, and Administrative Expenses and Depreciation and Amortization

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

	Quarter Ended			Six Months Ended		
	June 27, 2015	June 28, 2014	% Change	June 27, 2015	June 28, 2014	% Change
Selling, general, and administrative expenses, as reported	\$ 505	\$ 490	3.0%	\$ 959	\$ 968	(0.9)%
Depreciation and amortization, as reported	40	40	flat	77	76	0.8 %
Operating expenses, as reported	545	530	2.8%	1,036	1,044	(0.8)%
Impact of changes in foreign currencies	—	(41)		—	(80)	
Impact of acquisitions	1	41		31	82	
Operating expenses, as adjusted	\$ 546	\$ 530	3.1%	\$ 1,067	\$ 1,046	1.9 %

Selling, general, and administrative expenses increased by \$14.8 million, or 3.0% in the second quarter of 2015 on a sales increase of 2.7%, and decreased by \$8.5 million, or 0.9%, in the first six months of 2015 on a sales increase of 0.7%, compared with the year-earlier periods. Selling, general, and administrative expenses as a percentage of sales were 8.7% and 8.9% for the second quarter and first six months of 2015, respectively, compared with 8.6% and 9.0% in the year-earlier periods.

Adjusted for the impact of changes in foreign currencies and acquisitions, operating expenses for the second quarter and first six months of 2015 increased 3.1% and 1.9%, respectively.

Restructuring, Integration, and Other Charges

2015 Charges

The company recorded restructuring, integration, and other charges of \$17.1 million (\$12.9 million net of related taxes or \$.13 per share on both a basic and diluted basis) and \$33.3 million (\$25.5 million net of related taxes or \$.27 and \$.26 per share on a basic and diluted basis, respectively) for the second quarter and first six months of 2015, respectively. Included in the restructuring, integration, and other charges for the second quarter and first six months of 2015 are restructuring and integration charges of \$9.9 million and \$19.2 million, respectively, related to initiatives taken by the company to improve operating efficiencies. Also included in the restructuring, integration, and other charges for the second quarter and first six months of 2015 are acquisition-related expenses and other charges of \$7.0 million and \$13.5 million, respectively.

The restructuring and integration charge of \$9.9 million and \$19.2 million for the second quarter and first six months of 2015, respectively, includes personnel costs of \$8.6 million and \$16.5 million, facilities costs of \$1.2 million and \$1.8 million, and other costs of \$.1 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.

2014 Charges

The company recorded restructuring, integration, and other charges of \$9.6 million (\$7.5 million net of related taxes or \$.08 and \$.07 per share on a basic and diluted basis, respectively) and \$21.2 million (\$15.5 million net of related taxes or \$.16 and \$.15 per share on a basic and diluted basis, respectively) for the second quarter and first six months of 2014, respectively. Included in the restructuring, integration, and other charges for the second quarter and first six months of 2014 are restructuring and integration charges of \$11.0 million and \$21.4 million, respectively, related to initiatives taken by the company to improve operating efficiencies. Also included in the restructuring, integration, and other charges for the second quarter and first six months of 2014 are charges (credits) of \$(.5) million and \$(.4) million related to restructuring and integration actions taken in prior periods and acquisition-related expenses (credits) of \$(.8) million and \$.2 million, respectively.

The restructuring and integration charge of \$11.0 million and \$21.4 million for the second quarter and first six months of 2014, respectively, includes personnel costs of \$10.0 million and \$18.3 million, facilities costs of \$.5 million and \$2.0 million, and other costs of \$.7 million and \$1.2 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 June 27, 2015, 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		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Consolidated operating income, as reported	\$ 207	\$ 208	\$ 384	\$ 386
Identifiable intangible asset amortization	14	11	25	22
Restructuring, integration, and other charges	17	10	33	21
Consolidated operating income, as adjusted*	\$ 238	\$ 229	\$ 443	\$ 429
Consolidated operating income, as reported as a percentage of sales, as reported	3.5%	3.7%	3.5%	3.6%
Consolidated operating income, as adjusted as a percentage of sales, as reported	4.1%	4.0%	4.1%	4.0%

* 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 \$206.9 million, or 3.5% of sales, and \$384.4 million, or 3.5% of sales, in the second quarter and first six months of 2015, respectively, compared with operating income of \$208.3 million, or 3.7% of sales, and \$386.0 million, or 3.6% of sales, in the year-earlier periods. Excluding identifiable intangible asset amortization and restructuring, integration, and other charges, operating income, as adjusted was \$238.0 million, or 4.1% of sales, and \$442.7 million, or 4.1% of sales, in the second quarter and first six months of 2015, respectively, compared with operating income, as adjusted of \$228.8 million, or 4.0% of sales, and \$429.1 million, or 4.0% of sales in the year-earlier periods.

Interest and Other Financing Expense, Net

The company recorded net interest and other financing expense of \$34.7 million and \$65.6 million for the second quarter and first six months of 2015, compared with \$28.9 million and \$58.6 million in the year-earlier periods. The increase for the second quarter and first six months of 2015 was primarily due to higher average debt outstanding that was used to refinance the company's 3.375% notes due November 1, 2015 before maturity and for general corporate purposes, including acquisitions or the repayment of other indebtedness.

Other

During the second quarter of 2015, the company recorded a loss on investment of \$1.5 million (\$0.9 million net of related taxes or \$.01 per share on both a basic and diluted basis).

During the first six months of 2015, the company recorded a loss on prepayment of debt of \$2.9 million (\$1.8 million net of related taxes or \$.02 per share on both a basic and diluted basis), related to the redemption of \$250.0 million principal amount of its 3.375% notes due November 2015, and a gain on sale of investment of \$2.0 million (\$1.7 million net of related taxes or \$.02 per share on both a basic and diluted basis).

Income Taxes

The company recorded a provision for income taxes of \$48.0 million and \$88.8 million (an effective tax rate of 27.8%) for the second quarter and first six months of 2015, respectively. The company's provision for income taxes and effective tax rate for the second quarter and first six months of 2015 were impacted by the previously discussed restructuring, integration, and other charges, loss on prepayment of debt, gain on sale of investment, and loss on investment. Excluding the impact of the aforementioned items, the company's effective tax rate for both the second quarter and first six months of 2015 was 27.6%.

The company recorded a provision for income taxes of \$52.5 million and \$94.8 million (an effective tax rate of 29.1% and 28.7%) for the second quarter and first six months of 2014, respectively. The company's provision for income taxes and effective tax rate for the second quarter and first six months of 2014 were impacted by the previously discussed restructuring, integration, and other charges. Excluding the impact of the aforementioned items, the company's effective tax rate for the second quarter and first six months of 2014 was 28.7% and 28.6%, 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		Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Net income attributable to shareholders, as reported	\$ 124	\$ 128	\$ 230	\$ 235
Identifiable intangible asset amortization	11	9	20	18
Restructuring, integration, and other charges	13	8	25	16
Loss on prepayment of debt	—	—	2	—
Gain on sale of investment	—	—	(2)	—
Loss on investment	1	—	1	—
Net income attributable to shareholders, as adjusted*	\$ 149	\$ 144	\$ 277	\$ 268

* 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 \$123.9 million and \$230.0 million in the second quarter and first six months of 2015, respectively, compared with net income attributable to shareholders of \$127.9 million and \$235.0 million in the year-earlier periods. Net income attributable to shareholders, as adjusted was \$148.9 million and \$276.7 million for the second quarter and first six months of 2015, compared with \$144.3 million and \$268.3 million in the year-earlier periods.

Liquidity and Capital Resources

At June 27, 2015 and December 31, 2014, the company had cash and cash equivalents of \$399.7 million and \$400.4 million, respectively, of which \$166.8 million and \$300.9 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 six months of 2015, the net amount of cash provided by the company's operating activities was \$219.4 million, the net amount of cash used for investing activities was \$537.5 million, and the net amount of cash provided by financing activities was \$325.3 million. The effect of exchange rate changes on cash was a decrease of \$7.9 million.

During the first six months of 2014, the net amount of cash provided by the company's operating activities was \$283.5 million, the net amount of cash used for investing activities was \$122.2 million, and the net amount of cash used for financing activities was \$244.1 million. The effect of exchange rate changes on cash was an increase of \$1.2 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 62.8% at June 27, 2015 and 67.4% at December 31, 2014.

The net amount of cash provided by the company's operating activities during the first six months of 2015 was \$219.4 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 six months of 2014 was \$283.5 million and was primarily due to earnings from operations, adjusted for non-cash items.

Working capital as a percentage of sales was 14.7% in the second quarter of 2015 compared with 14.8% in the second quarter of 2014.

Cash Flows from Investing Activities

The net amount of cash used for investing activities during the first six months of 2015 was \$537.5 million, reflecting \$470.7 million of cash consideration paid, net of cash acquired, for acquired businesses and \$68.8 million for capital expenditures. The source of cash from investing activities during the first six months of 2015 was \$2.0 million related to the sale of investment. Included in capital expenditures for the first six months of 2015 is \$22.4 million related to the company's global enterprise resource planning ("ERP") initiative.

During the first six months of 2015 the company completed six acquisitions, inclusive of a 53.7% acquisition of Data Modul AG. The aggregate consideration paid for these acquisitions was \$470.7 million, net of cash acquired.

The net amount of cash used for investing activities during the first six months of 2014 was \$122.2 million, reflecting \$60.2 million of cash consideration paid, net of cash acquired, for acquired businesses and \$62.0 million for capital expenditures. Included in capital expenditures for the first six months of 2014 is \$30.4 million related to the company's global ERP initiative.

During the first six months of 2014, the company completed one acquisition. The aggregate consideration paid for this acquisition was \$60.2 million, net of cash acquired, contingent consideration, and other amounts withheld.

Cash Flows from Financing Activities

The net amount of cash provided by financing activities during the first six months of 2015 was \$325.3 million. The uses of cash from financing activities included a \$3.8 million decrease in short-term and other borrowings, \$254.3 million of redemption of notes, \$156.4 million of repurchases of common stock, and other contingent consideration payments of \$3.0 million. The sources of cash from financing activities during the first six months of 2015 were \$34.4 million of net proceeds from long-term bank borrowings, \$688.2 million of net proceeds from a note offering, and \$20.3 million of proceeds from the exercise of stock options and other benefits related to stock-based compensation arrangements.

During the first six months of 2015, the company completed the sale of \$350.0 million principal amount of 3.50% notes due in 2022 and \$350.0 million principal amount of 4.00% notes due in 2025. The net proceeds of the offering of \$688.2 million were used to refinance the company's 3.375% notes due November 2015 and for general corporate purposes.

During the first six months of 2015, the company redeemed \$250.0 million principal amount of its 3.375% notes due November 2015. The related loss on the redemption for the first six months of 2015 aggregated \$2.9 million (\$1.8 million net of related taxes or \$.02 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.

The net amount of cash used for financing activities during the first six months of 2014 was \$244.1 million. The uses of cash from financing activities included \$138.8 million of repurchases of common stock, \$120.0 million of net repayments of long-term bank borrowings, and a \$9.9 million decrease in short-term and other borrowings. The sources of cash from financing activities during the first six months of 2014 were \$24.6 million of proceeds from the exercise of stock options and other benefits related to stock-based compensation arrangements.

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 June 27, 2015), which is based on the company's credit ratings, or an effective interest rate of 1.42% at June 27, 2015. The facility fee is .20%. At June 27, 2015, the company had \$19.4 million in outstanding borrowings under the revolving credit facility. There were no outstanding borrowings under the revolving credit facility at December 31, 2014. During the first six months of 2015 and 2014, the average daily balance outstanding under the revolving credit facility was \$393.6 million and \$416.7 million, respectively.

The company has an asset securitization program collateralized by accounts receivable of certain of its subsidiaries. The company may borrow up to \$900.0 million under the asset securitization program, which matures in March 2017. The asset securitization program is conducted through Arrow Electronics Funding Corporation, 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 June 27, 2015), which is based on the company's credit ratings, or an effective interest rate of .63% at June 27, 2015. The facility fee is .40%. The company had \$290.0 million and \$275.0 million in outstanding borrowings under the asset securitization program at June 27, 2015 and December 31, 2014, respectively. During the first six months of 2015 and 2014, the average daily balance outstanding under the asset securitization program was \$407.2 million and \$396.6 million, respectively.

Both the revolving credit facility and asset securitization program include terms and conditions that limit the incurrence of additional borrowings and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of June 27, 2015 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

During 2014, the company entered into an agreement for an uncommitted line of credit. Under this agreement, the company may borrow up to a total of \$100.0 million. There were no outstanding borrowings under the uncommitted line of credit at June 27, 2015 and December 31, 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, 2014. Since December 31, 2014, there were no material changes to the contractual obligations of the company, outside the ordinary course of the company's business, except as follows:

- During the first six months of 2015, the company completed the sale of \$350.0 million principal amount of 3.50% notes due in 2022 and \$350.0 million principal amount of 4.00% notes due in 2025.
- During the first six months of 2015, the company redeemed \$250.0 million principal amount of its 3.375% notes due November 2015.

Share-Repurchase Programs

During 2014, the company's Board of Directors (the "Board") approved the repurchase of up to \$400 million (\$200 million in May and December, respectively) of the company's common stock through a share-repurchase program. As of June 27, 2015, the company repurchased 4,955,350 shares under these programs with a market value of \$280.6 million at the dates of repurchase, of which 1,303,642 shares with a market value of \$77.7 million were repurchased during the second quarter of 2015.

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 six months of 2015 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, 2014.

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, 2014, except as follows:

Foreign Currency Exchange Rate Risk

The notional amount of the foreign exchange contracts at June 27, 2015 and December 31, 2014 was \$372.1 million and \$401.0 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 six months of 2015, the translation of the company's international financial statements into U.S. dollars resulted in a decrease in sales and operating income of \$670.4 million and \$21.6 million, respectively, compared with the year-earlier period. Sales and operating income would decrease by approximately \$317.7 million and \$13.3 million, respectively, if average foreign exchange rates declined by 10% against the U.S. dollar in the first six months of 2015. 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 June 27, 2015, approximately 81% of the company's debt was subject to fixed rates, and 19% 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 six months of 2015. 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 January 2015, the company entered into four seven-year forward-starting interest rate swaps (the "2015 swaps") which locked in an average treasury rate of 1.98% on a total aggregate notional amount of \$200.0 million. These 2015 swaps were designated as cash flow hedges and managed the risk associated with changes in treasury rates and the impact of future interest payments on the anticipated debt issuances to replace the company's 3.375% notes due to mature in November 2015. In February 2015, the company received \$.9 million in connection with the termination of the 2015 swaps upon issuance of the seven-year notes due in 2022. The fair value of the 2015 swaps is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive loss" and is being reclassified into income over the seven-year term of the notes due in 2022. For the 2015 swaps, the company reclassified into income \$.03 million and \$.04 million for the second quarter and first six months of 2015, respectively.

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 interest rate of 4.3% at June 27, 2015), through its maturity. The swap is classified as a fair value hedge and had a fair value of \$.4 million at June 27, 2015.

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 interest rate of 5.7% at June 27, 2015), through its maturity. The swap is classified as a fair value hedge and had a fair value of \$.2 million at June 27, 2015.

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 June 27, 2015 (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 Annual Report on Form 10-K for the year ended December 31, 2014.

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

During 2014, the company's Board approved the repurchase of up to \$400 million (\$200 million in May and December, respectively) of the company's common stock through a share-repurchase program.

The following table shows the share-repurchase activity for the quarter ended June 27, 2015:

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
March 29 through April 30, 2015	1,375	\$ 62.44	—	\$ 197,096,404
May 1 through May 31, 2015	261,180	60.81	259,845	181,296,309
June 1 through June 27, 2015	1,043,797	59.30	1,043,797	119,402,463
Total	1,306,352		1,303,642	

- (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 June 27, 2015 is 2,710 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)	Arrow Electronics, Inc. 2004 Omnibus Incentive Plan (as amended through February 17, 2015).
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: July 28, 2015

By: /s/ Paul J. Reilly

Paul J. Reilly

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

Arrow Electronics, Inc.
2004 Omnibus Incentive Plan
(as amended through February 17, 2015)

Article 1. Establishment, Purpose, and Duration

1.1 Establishment. Arrow Electronics, Inc., a New York corporation (hereinafter referred to as the “Company”), establishes an incentive compensation plan to be known as the 2004 Omnibus Incentive Plan (hereinafter referred to as the “Plan”), as set forth in this document.

The Plan permits the grant of Cash-Based Awards, Non-Qualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Covered Employee Annual Incentive Awards, and Other Stock-Based Awards.

The Plan shall become effective upon shareholder approval (the “Effective Date”) and shall remain in effect as provided in Section 1.3 hereof.

1.2 Purpose of the Plan. The purpose of the Plan is to promote the interests of the Company and its shareholders by strengthening the Company’s ability to attract, motivate, and retain Employees and Directors of the Company upon whose judgment, initiative, and efforts the financial success and growth of the business of the Company largely depend, and to provide an additional incentive for such individuals through stock ownership and other rights that promote and recognize the financial success and growth of the Company and create value for shareholders. This Plan is intended to replace all Prior Plans.

1.3 Duration of the Plan. Unless sooner terminated as provided herein, the Plan shall terminate effective as of February 17, 2025. After the Plan is terminated, no Awards may be granted but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan’s terms and conditions.

Article 2. Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

2.1 “Affiliate” shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations of the Exchange Act.

2.2 “Annual Award Limit” or “Annual Award Limits” have the meaning set forth in Section 4.3.

2.3 “Award” means, individually or collectively, a grant under this Plan of Cash-Based Awards, Non-Qualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Covered Employee Annual Incentive Awards, or Other Stock-Based Awards, in each case subject to the terms of this Plan.

2.4 “Award Agreement” means either (i) a written agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under this Plan, or (ii) a written statement issued by the Company to a Participant describing the terms and provisions of such Award.

2.5 “Beneficial Owner” or “Beneficial Ownership” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.6 “Board” or “Board of Directors” means the Board of Directors of the Company.

2.7 “Cash-Based Award” means an Award granted to a Participant as described in Article 10.

2.8 “Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time.

2.9 “Committee” means the compensation committee of the Board or any other committee designated by the Board to administer this Plan. The members of the Committee shall be appointed from time to time and shall serve at the discretion of the Board.

2.10 “Company” means Arrow Electronics, Inc., a New York corporation, and any successor thereto as provided in Article 21 herein.

2.11 “Covered Employee” means a Participant: (a) who is a “covered employee,” as defined in Code Section 162(m) and the regulations promulgated under Code Section 162(m), or any successor statute or (b) who the Committee determines could potentially become a covered employee during the lifetime of an Award.

2.12 “Covered Employee Annual Incentive Award” means an Award granted to a Covered Employee as described in Article 12.

2.13 “Director” means any individual who is a member of the Board of Directors of the Company.

2.14 “Disability” means total and permanent disability as determined by the Committee.

2.15 “Effective Date” has the meaning set forth in Section 1.1.

2.16 “Employee” means any employee of the Company, its Affiliates, and/or Subsidiaries.

2.17 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.18 “Fair Market Value” or “FMV” means a price that is based on the opening, closing, actual, high, low, or average selling prices of a Share on the New York Stock Exchange (“NYSE”) or other established stock exchange (or exchanges) on the applicable date, the preceding trading days, the next succeeding trading day, or an average of trading days, as determined by the Committee in its discretion. Such definition(s) of FMV shall be determined by the Committee at its discretion. If, however, the required accounting standards used to account for equity Awards granted to Participants are substantially modified subsequent to the Effective Date of the Plan such that fair value accounting for such Awards becomes required, the Committee shall have the ability to determine an Award’s FMV based on the relevant facts and circumstances. If Shares are not traded on an established stock exchange, FMV shall be determined by the Committee based on objective criteria.

2.19 “Full Value Award” means an Award other than in the form of an ISO, NQSO, or SAR, and which is settled by the issuance of Shares.

2.20 “Freestanding SAR” means a SAR that is granted independently of any Options, as described in Article 7.

2.21 “Grant Price” means the price established at the time of grant of a SAR pursuant to Article 7, used to determine whether there is any payment due upon exercise of the SAR.

2.22 “Incentive Stock Option” or “ISO” means an Option to purchase Shares granted under Article 6 to an Employee and that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422, or any successor provision.

2.23 “Insider” shall mean an individual who is, on the relevant date, an officer, Director, or more than ten percent (10%) Beneficial Owner of any class of the Company’s equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Board in accordance with Section 16 of the Exchange Act.

2.24 “Non-Employee Director” means a Director who is not an Employee.

2.25 “Non-Employee Director Award” means any NQSO, SAR, or Full Value Award granted, whether singly, in combination, or in tandem, to a Participant who is a Non-Employee Director pursuant to such applicable terms, conditions, and limitations as the Board may establish in accordance with this Plan.

2.26 “Non-Qualified Stock Option” or “NQSO” means an Option that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.

2.27 “Option” means an Incentive Stock Option or a Non-Qualified Stock Option, as described in Article 6.

2.28 “Option Price” means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.29 “Other Stock-Based Award” means an equity-based or equity-related Award not otherwise described by the terms of this Plan, granted pursuant to Article 10.

2.30 “Participant” means any eligible person as set forth in Article 5 to whom an Award is granted.

2.31 “Performance-Based Compensation” means compensation under an Award that satisfies the requirements of Section 162(m) of the Code for deductibility of remuneration paid to Covered Employees.

2.32 “Performance Measures” means measures as described in Article 11 on which the performance goals are based and which are approved by the Company’s shareholders pursuant to this Plan in order to qualify Awards as Performance-Based Compensation.

2.33 “Performance Period” means the period of time during which the performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Award.

2.34 “Performance Share” means an Award granted to a Participant, as described in Article 9.

2.35 “Performance Unit” means an Award granted to a Participant, as described in Article 9.

2.36 “Period of Restriction” means the period when Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, in its discretion), as provided in Article 8.

2.37 “Person” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.

2.38 “Plan” means the Arrow Electronics, Inc. 2004 Omnibus Incentive Plan.

2.39 “Plan Year” means the calendar year.

2.40 “Prior Plans” means the Company’s Arrow Electronics, Inc. Stock Option Plan, as amended and restated effective as of February 27, 2002, the Arrow Electronics, Inc. Restricted Stock Plan, as amended and restated effective as of February 27, 2002, the Arrow Electronics, Inc. 2002 Non-Employee Directors Stock Option Plan, and the Non-Employee Directors Deferral Plan.

2.41 “Restricted Stock” means an Award granted to a Participant pursuant to Article 8.

2.42 “Restricted Stock Unit” means an Award granted to a Participant pursuant to Article 8, except no Shares are actually awarded to the Participant on the date of grant.

2.43 “Share” means a Share of common stock of the Company, \$1.00 par value per Share.

2.44 “Stock Appreciation Right” or “SAR” means an Award, designated as a SAR, pursuant to the terms of Article 7 herein.

2.45 “Subsidiary” means any corporation or other entity, whether domestic or foreign, in which the Company has or obtains, directly or indirectly, a proprietary interest of more than fifty percent (50%) by reason of stock ownership or otherwise.

2.46 “Tandem SAR” means a SAR that is granted in connection with a related Option pursuant to Article 7 herein, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

2.47 “Third Party Service Provider” means any consultant, agent, advisor, or independent contractor who renders services to the Company, a Subsidiary, or an Affiliate that (a) are not in connection with the offer and sale of the Company’s securities in a capital raising transaction, and (b) do not directly or indirectly promote or maintain a market for the Company’s securities.

Article 3. Administration

3.1 General. The Committee shall be responsible for administering the Plan, subject to this Article 3 and the other provisions of the Plan. The Committee may employ attorneys, consultants, accountants, agents, and other persons, any of whom may be an Employee, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee

shall be final and binding upon the Participants, the Company, and all other interested persons. The Committee shall have the authority to bring an action in the name of the Company in any court of competent jurisdiction to enforce, define or defend any action or determination under the Plan.

3.2 Authority of the Committee. Subject to the terms of the Plan, the Committee shall have full and exclusive discretionary power to interpret the terms and the intent of the Plan and any Award Agreement or other agreement or document ancillary to or in connection with the Plan, to determine eligibility for Awards and to adopt such rules, regulations, forms, instruments, and guidelines for administering the Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions, including the terms and conditions set forth in Award Agreements, and, subject to Article 19, adopting modifications and amendments to the Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the countries and other jurisdictions in which the Company, its Affiliates, and/or its Subsidiaries operate.

3.3 Delegation. The Committee may delegate to one or more of its members or to one or more officers of the Company, and/or its Subsidiaries and Affiliates or to one or more agents or advisors such administrative duties or powers as it may deem advisable, and the Committee or any person to whom it has delegated duties or powers as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. The Committee may, by resolution, authorize one or more officers of the Company to do any of the following on the same basis as can the Committee: (a) designate Employees to be recipients of Awards; (b) designate Third Party Service Providers to be recipients of Awards; and (c) determine the size of any such Awards. The Committee shall not delegate such responsibilities with respect to Awards granted to an officer who is considered an Insider or Covered Employee. The resolution providing for such delegation shall set forth the total number of Awards such officer(s) may grant; and, the officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

Article 4. Shares Subject to the Plan and Maximum Awards

4.1 Number of Shares Available for Awards.

a. Subject to adjustment as provided in Section 4.4 herein, the maximum number of Shares available for issuance to Participants under the Plan (the "Share Authorization") shall be 19,100,000 Shares. The full amount of the Share Authorization shall be available for issuance to Participants under the Plan during the full term of the Plan until its termination pursuant to Section 1.3.

b. To the extent that a Share is issued pursuant to the grant or exercise of a Full Value Award, it shall reduce the Share Authorization by 1.69 Shares; and, to the extent that a Share is issued pursuant to the grant or exercise of an Award other than a Full Value Award, it shall reduce the Share Authorization by one (1) Share.

c. Subject to adjustment as provided in Section 4.4, and subject to the limit set forth in Section 4.1(a) on the number of Shares that may be issued in the aggregate under the Plan, and in order to comply with the requirements of Section 422 of the Code and the regulations thereunder, the maximum number of Shares available for issuance pursuant to ISOs and NQSOs, in each case from and after February 17, 2015, shall be:

(i) 7,450,931 Shares that may be issued pursuant to Awards in the form of ISOs; and

(ii) 7,450,931 Shares that may be issued pursuant to Awards in the form of NQSOs.

d. Subject to adjustment in Section 4.4 and subject to the limit set forth in Section 4.1(a) on the number of Shares that may be issued in the aggregate under the Plan, the maximum number of shares that may be issued to Non-Employee Directors shall be four hundred thousand (400,000) Shares, and no Non-Employee Director may be granted an award covering more than twenty thousand (20,000) Shares in any Plan Year, except that this annual limit on Non-Employee Director Awards shall be increased to forty thousand (40,000) Shares for any Non-Employee Director serving as Chairman of the Board or as Lead Independent Director; provided, however, that in the Plan Year in which an individual is first appointed or elected to the Board as a Non-Employee Director, such individual may be granted an Award covering no more than an additional forty thousand (40,000) Shares (a "New Non-Employee Director Award").

e. Except with respect to a maximum of five percent (5%) of all Shares authorized under the Plan at any time from or after its original adoption, any Full Value Awards, which vest on the basis of the Participant's employment with or provision of service to the Company, shall not provide for vesting which is any more rapid than annual pro rata vesting over a three (3) year period, and any Full Value Awards which vest upon the attainment of performance goals, shall provide for a performance period of at least twelve (12) months.

4.2 Share Usage.

a. Shares covered by an Award shall only be counted as used to the extent they are actually issued and delivered to a Participant, or, if permitted by the Committee, a Participant's designated transferee. Any Shares related to Awards which terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, are settled in cash in lieu of Shares, or are exchanged with the Committee's permission, prior to the issuance of Shares, for Awards not involving Shares, shall be available again for grant under the Plan. Notwithstanding the foregoing, if the Option Price of any Option granted under the Plan or the tax withholding requirements with respect to any Award granted under the Plan are satisfied by withholding or tendering

Shares to the Company (by either actual delivery or by attestation), or if a SAR is exercised, both the number of Shares issued and the Shares withheld or tendered, if any, will be deemed delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. The maximum number of Shares available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as additional Restricted Stock, Restricted Stock Units, Performance Shares, or Stock-Based Awards. The Shares available for issuance under the Plan may be authorized and unissued Shares or treasury Shares.

b. The Committee shall have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

4.3 Annual Award Limits. The following limits (each an “Annual Award Limit” and, collectively, “Annual Award Limits”) shall apply to grants of Awards under the Plan:

a. **Options:** The maximum aggregate number of Shares that may be granted in the form of Options, pursuant to all Awards of such type granted in any one Plan Year to any one Participant shall be five hundred thousand (500,000), plus the amount of the Participant’s unused applicable Annual Award Limit for Options as of the close of the previous Plan Year.

b. **SARs:** The maximum number of Shares that may be granted in the form of Stock Appreciation Rights, pursuant to all Awards of such type granted in any one Plan Year to any one Participant shall be five hundred thousand (500,000), plus the amount of the Participant’s unused applicable Annual Award Limit for SARs as of the close of the previous Plan Year.

c. **Restricted Stock or Restricted Stock Units:** The maximum aggregate grant with respect to Awards of Restricted Stock or Restricted Stock Units granted in any one Plan Year to any one Participant shall be five hundred thousand (500,000), plus the amount of the Participant’s unused applicable Annual Award Limit for Restricted Stock or Restricted Stock Units as of the close of the previous Plan Year.

d. **Performance Units or Performance Shares:** The maximum aggregate Award of Performance Units or Performance Shares that a Participant may receive in any one Plan Year shall be five hundred thousand (500,000) Shares, or equal to the value of five hundred thousand (500,000) Shares determined as of the date of vesting or payout, as applicable, plus the amount of the Participant’s unused applicable Annual Award Limit for Performance Units or Performance Shares as of the close of the previous Plan Year.

e. **Cash-Based Awards:** The maximum aggregate amount awarded or credited with respect to Cash-Based Awards to any one Participant in any one Plan Year may not exceed the value of five million dollars (\$5,000,000) determined as of the date of vesting or payout, as applicable, plus the amount of the Participant’s unused applicable Annual Award Limit for Cash-Based Awards as of the close of the previous Plan Year.

f. **Covered Employee Annual Incentive Award.** The maximum aggregate amount awarded or credited with respect to Covered Employee Annual Incentive Awards to any one Participant in any one Plan year may not exceed the value of five million dollars (\$5,000,000) determined as of the date of vesting or payout, as applicable, plus the amount of the Participant’s unused applicable Annual Award Limit for Covered Employee Annual Incentive Awards as of the close of the previous Plan Year.

g. **Other Stock-Based Awards.** The maximum aggregate grant with respect to other Stock-Based Awards pursuant to Section 10.2 granted in any one Plan Year to any one Participant shall be five hundred thousand (500,000), plus the amount of the Participant’s unused applicable Annual Award Limit for Other Stock-Based Awards as of the close of the previous Plan Year.

4.4 Adjustments in Authorized Shares. In the event of any corporate event or transaction (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of Shares, exchange of Shares, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in its sole discretion, in order to prevent dilution or enlargement of Participants’ rights under the Plan, shall substitute or adjust, as applicable, the number and kind of Shares that may be issued under the Plan or under particular forms of Awards, the number and kind of Shares subject to outstanding Awards, the Option Price or Grant Price applicable to outstanding Awards, the Annual Award Limits, and other value determinations applicable to outstanding Awards.

The Committee shall, as and in the manner it deems necessary or appropriate, make adjustments in the terms of any Awards under the Plan to reflect or related to such changes or distributions and to modify any other terms of outstanding Awards, including modifications of performance goals and changes in the length of Performance Periods. The determination of the Committee as to the foregoing adjustments shall be conclusive and binding on Participants under the Plan.

Subject to the provisions of Article 19, without affecting the number of Shares reserved or available hereunder or the number or types of options that may be granted hereunder, the Committee may authorize the issuance or assumption of awards under this Plan in connection with any merger, consolidation, acquisition of property or stock or reorganization upon such terms and conditions as it may deem appropriate; provided, however, that, subject to adjustment as provided above, the maximum amount

of Shares with respect to which ISOs, NQSOs and/or other Awards may be granted under this paragraph is as set forth in section 4.1 (c) hereof.

Article 5. Eligibility and Participation

5.1 Eligibility. Individuals eligible to participate in this Plan include all Employees, Directors, and Third Party Service Providers.

5.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible individuals, those to whom Awards shall be granted and shall determine, in its sole discretion, the nature of, any and all terms permissible by law, and the amount of each Award, except that in the case of Non-Employee Directors, such determinations shall be made by the Board pursuant to Section 13.1.

Article 6. Stock Options

6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion; provided that ISOs may be granted only to eligible employees of the Company or of any parent or subsidiary corporation (as permitted by Section 422 of the Code and the regulations thereunder).

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the maximum duration of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan. The Award Agreement also shall specify whether the Option is intended to be an ISO or a NQSO.

6.3 Option Price. The Option Price for each grant of an Option under this Plan shall be as determined by the Committee and shall be specified in the Award Agreement; provided, however, the Option Price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted.

6.4 Duration of Options. Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Option shall be exercisable later than the tenth (10th) anniversary date of its grant. Notwithstanding the foregoing, for Options granted to Participants outside the United States, the Committee has the authority to grant Options that have a term greater than ten (10) years.

6.5 Exercise of Options. Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which terms and restrictions need not be the same for each grant or for each Participant.

6.6 Payment. Options granted under this Article 6 shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified or accepted by the Committee, or by complying with any alternative procedures which may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

A condition of the issuance of the Shares as to which an Option shall be exercised shall be the payment of the Option Price. The Option Price of any Option shall be payable to the Company in full either: (a) in cash or its equivalent; (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Option Price (provided that the Shares that are tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price or have been purchased on the open market); (c) by a combination of (a) and (b); or (d) any other method approved or accepted by the Committee in its sole discretion.

Subject to any governing rules or regulations, as soon as practicable after receipt of written notification of exercise and full payment (including satisfaction of any applicable tax withholding), the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant's request, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars.

6.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, or under any blue sky or state securities laws applicable to such Shares.

6.8 Termination of Employment. Each Participant's Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment or provision of services to the Company, its Affiliates, or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole

discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for termination.

6.9 Transferability of Options.

a. Incentive Stock Options. No ISO granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant under this Article 6 shall be exercisable during his or her lifetime only by such Participant.

b. Non-Qualified Stock Options. Except as otherwise provided in a Participant's Award Agreement or otherwise determined at any time by the Committee, no NQSO granted under this Article 6 may be sold, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided that the Board or Committee may permit further transferability, on a general or a specific basis, and may impose conditions and limitations on any permitted transferability. Further, except as otherwise provided in a Participant's Award Agreement or otherwise determined at any time by the Committee, or unless the Board or Committee decides to permit further transferability, all NQSOs granted to a Participant under this Article 6 shall be exercisable during his or her lifetime only by such Participant. With respect to those NQSOs, if any, that are permitted to be transferred to another person, references in the Plan to exercise or payment of the Option Price by the Participant shall be deemed to include, as determined by the Committee, the Participant's permitted transferee.

6.10 Notification of Disqualifying Disposition. If any Participant shall make any disposition of Shares issued pursuant to the exercise of an ISO under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof.

6.11 Substituting SARs. In the event the Company no longer uses APB Opinion 25 to account for equity compensation and is required to or elects to expense the cost of Options pursuant to FAS 123 (or a successor standard), the Committee shall have the ability to substitute, without receiving Participant permission, SARs paid only in Stock (or SARs paid in Stock or cash at the Committee's discretion) for outstanding Options; provided, the terms of the substituted Stock SARs are substantially equivalent to the terms for the Options and the excess of the Fair Market Value of the underlying Shares over the aggregate Grant Price of the SARs is equivalent to the excess of the Fair Market Value of the underlying Shares over the aggregate Option Price of the Options. If this provision creates adverse accounting consequences for the Company, it shall be considered void by the Committee.

Article 7. Stock Appreciation Rights

7.1 Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs.

Subject to the terms and conditions of the Plan, the Committee shall have complete discretion in determining the number of SARs granted to each Participant and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The Grant Price for each grant of a Freestanding SAR shall be determined by the Committee and shall be specified in the Award Agreement. The Grant Price may be based on one hundred percent (100%) of the FMV of the Shares on the date of grant, set at a premium to the FMV of the Shares on the date of grant, or indexed to the FMV of the Shares on the date of grant, with the index determined by the Committee, in its discretion. The Grant Price of Tandem SARs shall be equal to the Option Price of the related Option.

7.2 SAR Agreement. Each SAR Award shall be evidenced by an Award Agreement that shall specify the Grant Price, the term of the SAR, and such other provisions as the Committee shall determine.

7.3 Term of SAR. The term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion, and except as determined otherwise by the Committee and specified in the SAR Award Agreement, no SAR shall be exercisable later than the tenth (10th) anniversary date of its grant. Notwithstanding the foregoing, for SARs granted to Participants outside the United States, the Committee has the authority to grant SARs that have a term greater than ten (10) years.

7.4 Exercise of Freestanding SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes.

7.5. Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (a) the Tandem SAR will expire no later than the expiration of the underlying ISO; (b) the value of the payout with respect to the Tandem SAR may be for no more than one hundred percent (100%) of the excess of the Fair Market Value of the Shares subject to the underlying ISO over the aggregate Option Price of the Shares subject to the underlying ISO at the time the

Tandem SAR is exercised; and (c) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the aggregate Option Price of the ISO.

7.6 Payment of SAR Amount. Upon the exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- a. The excess of the Fair Market Value of a Share on the date of exercise over the Grant Price; by
- b. The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, Shares, or any combination thereof, or in any other manner approved by the Committee in its sole discretion. The Committee's determination regarding the form of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR.

7.7 Termination of Employment. Each Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with or provision of services to the Company, its Affiliates, and/or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

7.8 Non-Transferability of SARs. Except as otherwise provided in a Participant's Award Agreement or otherwise at any time by the Committee, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement or otherwise at any time by the Committee, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant. With respect to those SARs, if any, that are permitted to be transferred to another person, references in the Plan to exercise of the SAR by the Participant or payment of any amount to the Participant shall be deemed to include, as determined by the Committee, the Participant's permitted transferee.

7.9 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares received upon exercise of a SAR granted pursuant to the Plan as it may deem advisable or desirable. These restrictions may include, but shall not be limited to, a requirement that the Participant hold the Shares received upon exercise of a SAR for a specified period of time.

Article 8. Restricted Stock and Restricted Stock Units

8.1 Grant of Restricted Stock or Restricted Stock Units. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts as the Committee shall determine. Restricted Stock Units shall be similar to Restricted Stock except that no Shares are actually awarded to the Participant on the date of grant.

8.2 Restricted Stock or Restricted Stock Unit Agreement. Each Restricted Stock and/or Restricted Stock Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine.

8.3 Transferability. Except as provided in this Plan or an Award Agreement, the Shares of Restricted Stock and/or Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Award Agreement (and in the case of Restricted Stock Units until the date of delivery or other payment), or upon earlier satisfaction of any other conditions, as specified by the Committee, in its sole discretion, and set forth in the Award Agreement or otherwise at any time by the Committee. All rights with respect to the Restricted Stock and/or Restricted Stock Units granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant, except as otherwise provided in an Award Agreement or at any time by the Committee.

8.4 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable laws or under the requirements of any stock exchange or market upon which such Shares are listed or traded, or holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Stock or Restricted Stock Units. In the case of Restricted Stock and/or Restricted Stock Units granted to Covered Employees which awards are intended to constitute Performance Based Compensation the applicable performance goal(s) for such Awards shall be selected from those listed in Article 11.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

Except as otherwise provided in this Article 8 or under applicable law, Shares of Restricted Stock covered by each Restricted Stock Award shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapse (including satisfaction of any applicable tax withholding obligations), and Restricted Stock Units shall be paid in cash, Shares, or a combination of cash and Shares as the Committee, in its sole discretion shall determine.

8.5 Certificate Legend. In addition to any legends placed on certificates pursuant to Section 8.4, each certificate representing Shares of Restricted Stock granted pursuant to the Plan may bear a legend such as the following or as otherwise determined by the Committee in its sole discretion:

The sale or transfer of Shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Arrow Electronics, Inc. 2004 Omnibus Incentive Plan, and in the associated Award Agreement. A copy of the Plan and such Award Agreement may be obtained from Arrow Electronics, Inc.

8.6 Voting Rights. Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, to the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction. There shall be no voting rights with respect to any Restricted Stock Units granted hereunder.

8.7 Termination of Employment. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Restricted Stock and/or Restricted Stock Units following termination of the Participant's employment with or provision of services to the Company, its Affiliates, and/or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Restricted Stock or Restricted Stock Units granted pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

8.8 Section 83(b) Election. The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award, the Participant shall be required to file promptly a copy of such election with the Company.

Article 9. Performance Units/ Performance Shares

9.1 Grant of Performance Units/ Performance Shares. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Performance Units and/or Performance Shares to Participants in such amounts and upon such terms as the Committee shall determine.

9.2 Value of Performance Units/ Performance Shares. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the value and/or number of Performance Units/ Performance Shares that will be paid out to the Participant. In the case of Performance Units and or Performance Shares granted to Covered Employees which awards are intended to constitute Performance Based Compensation the applicable performance goal(s) for such Awards shall be selected from those listed in Article 11.

9.3 Earning of Performance Units/ Performance Shares. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units/ Performance Shares shall be entitled to receive payout on the value and number of Performance Units/ Performance Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

9.4 Form and Timing of Payment of Performance Units/ Performance Shares. Payment of earned Performance Units/ Performance Shares shall be as determined by the Committee and as evidenced in the Award Agreement. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Performance Units/ Performance Shares in the form of cash or in Shares (or in a combination thereof) equal to the value of the earned Performance Units/ Performance Shares. Payment will be made in accordance with the terms of the Award Agreement. Any Shares may be granted subject to any restrictions deemed appropriate by the Committee and as evidenced in the Award Agreement. The determination of the Committee with respect to the form of payout of such Awards and restrictions shall be set forth in the Award Agreement pertaining to the grant of the Award.

9.5 Dividends and Other Distributions. At the discretion of the Committee, Participants holding Performance Shares may be entitled to receive dividend equivalents with respect to dividends declared with respect to the Shares. Such dividend equivalents may be in the form of cash, Shares, Restricted Stock, or Restricted Stock Units and may be subject to such accrual, forfeiture, or payout restrictions as determined by the Committee in its sole discretion and as evidenced in the Award Agreement. Notwithstanding the foregoing, with respect to Performance Awards granted after May 4, 2010, Participants holding Performance Shares may only be entitled to receive dividend equivalents with respect to the vested portions of Performance Awards.

9.6 Termination of Employment. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Performance Units and/or Performance Shares following termination of the Participant's employment with

or provision of services to the Company, its Affiliates, and/or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Performance Units or Performance Shares issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

9.7 Non-Transferability. Except as otherwise provided in a Participant's Award Agreement or otherwise determined at any time by the Committee, Performance Units/ Performance Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement or otherwise determined at any time by the Committee, a Participant's rights under the Plan shall be exercisable during his or her lifetime only by such Participant.

Article 10. Cash-Based Awards and Other Stock-Based Awards

10.1 Grant of Cash-Based Awards. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such amounts and upon such terms as the Committee may determine.

10.2 Other Stock-Based Awards. The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

10.3 Value of Cash-Based and Other Stock-Based Awards. Each Cash-Based Award shall specify a payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of Shares or units based on Shares, as determined by the Committee. The Committee may establish performance goals in its discretion. If the Committee exercises its discretion to establish performance goals, the number and/or value of Cash-Based Awards or Other Stock-Based Awards that will be paid out to the Participant will depend on the extent to which the performance goals are met. In the case of Cash-Based Awards and/or Other Stock-Based Awards granted to Covered Employees which Awards are intended to constitute Performance Based Compensation the applicable performance goals for such Awards shall be selected from those listed in Article 11.

10.4 Payment of Cash-Based Awards and Other Stock-Based Awards. Payment, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash or Shares as the Committee determines.

10.5 Termination of Employment. The Committee shall determine the extent to which the Participant shall have the right to receive Cash-Based Awards and Other Stock-Based Awards following termination of the Participant's employment with or provision of services to the Company, its Affiliates, and/or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, such provisions may be included in an agreement entered into with each Participant, but need not be uniform among all Awards of Cash-Based Awards and Other Stock-Based Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

10.6 Non-Transferability. Except as otherwise determined by the Committee, neither Cash-Based Awards nor Other Stock-Based Awards may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided by the Committee, a Participant's rights under the Plan, if exercisable, shall be exercisable during his or her lifetime only by such Participant. With respect to those Cash-Based Awards or Other Stock-Based Awards, if any, that are permitted to be transferred to another person, references in the Plan to exercise or payment of such Awards by or to the Participant shall be deemed to include, as determined by the Committee, the Participant's permitted transferee.

Article 11. Performance Measures

11.1 Performance Measures. Unless and until the Committee proposes for shareholder vote and the shareholders approve a change in the general Performance Measures set forth in this Article 11, the performance goals upon which the payment or vesting of an Award to a Covered Employee that is intended to qualify as Performance-Based Compensation shall be limited to the following Performance Measures:

- a. net income;
 - b. earnings per share;
 - c. sales growth;
 - d. income before taxes;
 - e. net operating profit;
-

- f. return measures (including, but not limited to, return on assets, capital, equity, or sales);
- g. cash flow (including, but not limited to, operating cash flow and free cash flow);
- h. earnings before, interest, taxes, depreciation, and/or amortization;
- i. operating margins including gross profit, operating expenses and operating income as a percentage of sales;
- j. productivity ratios;
- k. share price (including, but not limited to, growth measures and total shareholder return);
- l. expense targets;
- m. operating efficiency;
- n. customer satisfaction;
- o. working capital targets; and
- p. economic value-added.

Any Performance Measure(s) may be used to measure the performance of the Company, Subsidiary, and/or Affiliate as a whole or any business unit of the Company, Subsidiary, and/or Affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or the Company may select Performance Measure (j) above as compared to various stock market indices. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of performance goals pursuant to the Performance Measures specified in this Article 11.

11.2 Evaluation of Performance. The Committee may provide in any such Award that any evaluation of performance may include or exclude any of the following events that occur during a Performance Period:

(a) asset write-downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year, (f) acquisitions or divestitures, and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.

11.3 Adjustment of Performance-Based Compensation. Awards that are designed to qualify as Performance-Based Compensation, and that are held by Covered Employees, may not be adjusted upward. The Committee shall retain the discretion to adjust such Awards downward, either on a formula or discretionary basis or any combination, as the Committee determines.

11.4 Committee Discretion. In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards that shall not qualify as Performance-Based Compensation, the Committee may make such grants without satisfying the requirements of Code Section 162(m) and may base vesting on Performance Measures in addition to or other than those set forth in Section 11.1.

Article 12. Covered Employee Annual Incentive Award

Notwithstanding any other provision of this Plan to the contrary, for each Plan Year a Covered Employee Annual Incentive Award shall be paid to any Participant who is an executive officer of the Company and, in the Committee's determination, is likely to be a "covered employee" within the meaning of Section 162(m) of the Code only in accordance with the provisions of this Article. Within the first ninety (90) days of each Plan Year, the Committee shall establish (i) the performance goals, selected from the list of Performance Measures in Section 11.1, that must be achieved in order for a Covered Employee Annual Incentive Award to be paid to any Covered Employee for the Plan Year, and (ii) the amount of each Covered Employee's Covered Employee Annual Incentive Award that could be paid based on attainment of such performance goals for the Plan Year. As soon as practicable following the end of each Plan Year, the Committee shall certify whether each Covered Employee otherwise satisfied the requirements of this Plan to receive a Covered Employee Annual Incentive Award. Upon the Committee's certification thereof, the Covered Employee Annual Incentive Awards shall be paid to the Covered Employees or such lesser amounts as the Committee in its discretion shall prescribe taking into account the otherwise applicable provisions of this Plan and the performance of the Company and the Covered Employees during the Plan Year, provided that such action does not preclude the Covered Employee Annual Incentive Award to any Covered Employee from qualifying as performance based compensation under Section 162(m) of the Code. The Committee shall not exercise any discretion in its administration of the Plan that would be inconsistent with the purposes of Section 162(m) of the Code.

Article 13. Non-Employee Director Awards

13.1 Non-Employee Director Awards. Non-Employee Directors may only be granted Awards under the Plan in accordance with this Article 13 and which shall not be subject to management's discretion. From time to time, the Board shall set the amount(s) and type(s) of equity awards that shall be granted to all Non-Employee Directors on a periodic, nondiscriminatory basis pursuant to the Plan, as well as any additional amount(s), if any, to be awarded, also on a periodic, nondiscriminatory basis, based on each of the following: the number of committees of the Board on which a Non-Employee Director serves, service of a Non-Employee Director as the chair of a Committee of the Board, service of a Non-Employee Director as Chairman of the Board or service of a Non-Employee Director as Lead Independent Director, or the first selection or appointment of an individual to the Board as a Non-Employee Director. Subject to the limits set forth in Section 4.1(d) and the foregoing, the Board shall grant such Awards to Non-Employee Directors, the Non-Employee Chairman of the Board and the Lead Independent Director, and grant New Non-Employee Director Awards, as it shall from time to time determine.

13.2 Non-Employee Director Deferrals. This Section 13.2 governs Non-Employee Director deferrals of annual retainers earned and vested as of December 31, 2004. In order to comply with Section 409A of the Code, annual retainers for 2005 and later shall be subject to deferral only in accordance with the Arrow Electronics, Inc. Non-Employee Directors Deferred Stock Unit Plan or Arrow Electronics, Inc. Non-Employee Directors Deferred Compensation Plan (which also permits elective deferrals of Board and Board committee meeting fees).

a. Mandatory Deferral: Fifty percent (50%) of each payment comprising any annual retainer fees payable by the Company to each Non-Employee Director shall automatically be withheld by the Company and deferred hereunder, except to the extent that the Non-Employee Director has made an Optional Deferral Election in accordance with Section 13.2(b).

b. Optional Deferral Elections: A Non-Employee Director may submit a written election to the Secretary of the Company not to have the deferral provisions of Section 13.2(a) apply to the Non-Employee Director's retainer fees or to have a deferral of a percentage other than fifty percent (50%) apply (an "Optional Deferral Election") as follows:

(i) Prior to the Effective Date of the Plan, each Non-Employee Director may submit an Optional Deferral Election, which may specify that no portion of the Non-Employee Director's retainer fees will be deferred under Section 13.2 or that a selected percentage other than fifty percent (50%) of the Non-Employee Director's retainer fees will be deferred under Section 13.2. Such Optional Deferral Election will be effective unless and until it is revoked in writing.

(ii) Each Non-Employee Director initially elected after the Effective Date of the Plan may submit an Optional Deferral Election prior to the Non-Employee Director's receipt of any portion of any retainer fee which may specify that no portion of the Non-Employee Director's retainer fees will be deferred under Section 13.2 or that a selected percentage other than fifty percent (50%) of the Non-Employee Director's retainer fees will be deferred under Section 13.2, such Optional Deferral Election will be effective unless and until it is revoked in writing.

(iii) On an ongoing basis, each Non-Employee Director who has not made a standing Optional Deferral Election may make an Optional Deferral Election requesting the cessation of deferrals from his or her future payments of annual retainer fees or specifying that a selected percentage other than fifty percent (50%) of the Non-Employee Director's retainer fees will be deferred under Section 13.2. In addition, any Non-Employee Director who has previously made a standing Optional Deferral Election may submit a new Optional Deferral Election, which will supersede the prior Optional Deferral Election. Any such election will take effect as of the commencement of the calendar year following the year in which the election is made and will be honored unless and until it is revoked in writing prior to the commencement of the calendar year in which such revocation is to become effective. However, any amounts deferred prior to the effective date of the new Optional Deferral Election will continue to be deferred under Section 13.2.

c. Maintenance of Deferred Accounts: A recordkeeping account shall be established and maintained in the name of each Non-Employee Director. Amounts which are deferred hereunder shall be converted into units ("Units") based on the Fair Market Value of the Company's common stock, and such Units (including any fractional Units) shall be credited to the Non-Employee Director's account. The conversion and crediting of deferrals shall occur as of the date that such deferred amounts would otherwise have been payable to the Non-Employee Director. Dividend equivalents earned on the basis of whole Units previously credited to a Non-Employee Director's account shall be credited to the Non-Employee Director's account as Units, including fractional Units, on the date any such dividend has been declared to be payable on Shares. Units, excluding fractional Units, shall earn dividend equivalents from the date such Units are credited to a Non-Employee Director's account until the date such Units are converted into Shares and distributed. Dividend equivalents shall be computed by multiplying the dividend paid per Share during the period Units are credited to a Non-Employee Director's account times the number of whole Units so credited, but Units shall earn such dividend equivalents only as, if, and when dividends are declared and paid on Shares.

d. Method of Distribution of Deferrals: No distribution of deferrals may be made except as provided in this Section 13.2(d) or in a deferral agreement between the Company and a Non-employee Director. As of the last business day of the calendar month in which a Non-Employee Director's service as a director of the Company ceases, each whole Unit then credited to the Non-Employee Director's deferral account shall be converted into one Share and any fractional Unit shall be converted into

cash by multiplying such fraction by the Fair Market Value of a Share as of such date. Such Shares and cash shall be distributed to the Non-Employee Director in a single lump sum, as soon as practicable following such date. At the written request of a Non-Employee Director, the Board of Directors, in its sole discretion, may accelerate payment of amounts deferred hereunder, upon a showing of unforeseeable emergency by such Non-Employee Director. For purposes of this paragraph, "unforeseeable emergency" is defined as severe financial hardship resulting from extraordinary and unanticipated circumstances arising as a result of one or more recent events beyond the control of the Non-Employee Director. In any event, payment may not be made to the extent such emergency is or may be relieved: (1) through reimbursement or compensation by insurance or otherwise; (2) by liquidation of the Non-Employee Director's assets, to the extent the liquidation of such assets would not, itself, cause severe financial hardship; and (3) by cessation of deferrals under the Plan. Examples of events that are not considered to be unforeseeable emergencies include the need to send a Non-Employee Director's child to college or the desire to purchase a home.

Article 14. Dividend Equivalents

Any Participant selected by the Committee may be granted dividend equivalents based on the dividends declared on Shares that are subject to any Award, to be credited as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Committee; provided, however, that, with respect to Awards granted after May 4, 2010, dividend equivalents may only be credited with respect to the vested portions of Awards. Such dividend equivalents shall be converted to cash or additional Shares by such formula and at such time and subject to such limitations as may be determined by the Committee.

Dividend equivalents granted with respect to Options or SARs that are intended to be Performance-Based Compensation shall be payable, with respect to pre-exercise periods, regardless of whether such Option or SAR is subsequently exercised.

Article 15. Beneficiary Designation

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

Article 16. Deferrals

The Committee may permit or, in an Award Agreement, require officers or Non-Employee Directors to defer receipt of the payment of cash or the delivery of Shares that would otherwise be due to such officers or Non-Employee Directors by virtue of the lapse or waiver of restrictions with respect to Restricted Stock or Restricted Stock Units, or the satisfaction of any requirements or performance goals with respect to Performance Shares, Performance Units, Cash-Based Awards, Covered Employee Annual Incentive Awards, Other Stock-Based Awards, or Cash-Based Awards. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals.

Article 17. Rights of Participants

17.1 Employment. Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company, its Affiliates, and/or its Subsidiaries, to terminate any Participant's employment or service on the Board or to the Company at any time or for any reason not prohibited by law, nor confer upon any Participant any right to continue his or her employment or service as a Director or Third Party Service Provider for any specified period of time.

Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company, its Affiliates, and/or its Subsidiaries and, accordingly, subject to Articles 3 and 19, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company, its Affiliates, and/or its Subsidiaries.

17.2 Participation. No individual shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

17.3 Rights as a Shareholder. Except as otherwise provided herein, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

17.4 No Third Party Beneficiaries. This Plan does not confer any right or remedy other than to Participants, the Company, and their respective permitted successors and assigns, and no action may be brought against the Company, the Board, the Committee, or any of the Committee's delegates by any third party claiming as a third party beneficiary to the Plan or any Award Agreement.

Article 18. Corporate Events

Unless otherwise set forth in the Award Agreement, upon a dissolution or liquidation of the Company, or a sale of substantially all of the assets of the Company, its Subsidiaries, and its Affiliates and the acquiring entity does not substitute new and equivalent Awards for the outstanding Awards hereunder, or a merger or consolidation in which the surviving corporation does not substitute new and equivalent Awards for the outstanding Awards hereunder, (each a "Corporate Event") each Participant shall be given at least ten days prior written notice of the occurrence of such Corporate Event, every Award outstanding hereunder shall become fully vested and exercisable, all restrictions on such Awards shall lapse and each Participant may exercise any Award that is in the form of an Option or SAR, in whole or in part, prior to or simultaneously with such Corporate Event. Unless otherwise set forth in the Award Agreement, upon the occurrence of any such Corporate Event, any Option or SAR not exercised pursuant hereto shall terminate. Unless otherwise set forth in the Award Agreement, furthermore, upon the occurrence of a Corporate Event, the Company shall have the option to cancel every outstanding Award hereunder (other than Options and SARs outstanding the cancellation which would be handled by the preceding sentence) and to pay the holder of such Awards the value of those Awards as determined by the Board or Committee in their sole discretion.

Article 19. Amendment, Modification, Suspension, and Termination

19.1 Amendment, Modification, Suspension, and Termination. Subject to Section 19.3, the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan and any Award Agreement in whole or in part; provided, however, that, without the prior approval of the Company's shareholders and except as provided in Sections 4.4 and 6.11 hereof, Options issued under the Plan will not be repriced, replaced, or regranted through cancellation, or by lowering the Option Price of a previously granted Option, and no amendment of the Plan shall be made without shareholder approval if shareholder approval is required by law, regulation, or stock exchange rule, including, but not limited to, the Securities Exchange Act of 1934, as amended, the Internal Revenue Code of 1986, as amended, and, if applicable, the New York Stock Exchange Listed Company Manual.

19.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Non-recurring Events. The Committee shall, as and in the manner it deems necessary or appropriate, make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual, unforeseen or nonrecurring events (including, without limitation, the events described in Section 4.4 hereof, restructuring charges and income or expenses related to acquisitions and dispositions, tax and litigation settlements, and capital projects not contemplated at the time an Award was made) affecting the Corporation or the financial statements of the Corporation or of changes in applicable laws, regulations, or accounting principles, in order to prevent the unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. The determination of the Committee as to the foregoing adjustments shall be conclusive and binding on Participants under the Plan.

19.3 Awards Previously Granted. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, suspension, or modification of the Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award or any predecessor plans.

Article 20. Withholding

20.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, the minimum statutory amount to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

20.2 Share Withholding. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock and Restricted Stock Units, or upon the achievement of performance goals related to Performance Shares, or any other taxable event arising as a result of an Award granted hereunder, the Committee may decide to permit Participants to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction. If permitted by the Committee, all Participant elections related to share withholding shall be irrevocable, made in writing, and signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

Article 21. Successors

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

Article 22. General Provisions

22.1 Forfeiture Events.

a. The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall

not be limited to, termination of employment for cause, termination of the Participant's provision of services to the Company, Affiliate, and/or Subsidiary, violation of material Company, Affiliate, and/or Subsidiary policies, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company, its Affiliates, and/or its Subsidiaries.

b. If Section 304 of the Sarbanes-Oxley Act of 2002 applies to any Award or payment in settlement of any Award, the Participant shall and hereby agrees to reimburse the Company for any such amounts or Awards as provided by Section 304 of the Sarbanes-Oxley Act of 2002.

22.2 Legend. The certificates for Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

22.3 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

22.4 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

22.5 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

22.6 Delivery of Title. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

- a. Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and
- b. Completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

22.7 Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

22.8 Investment Representations. The Committee may require any person receiving Shares pursuant to an Award under this Plan to represent and warrant in writing that the person is acquiring the Shares for investment and without any present intention to sell or distribute such Shares.

22.9 Employees, Directors, Third Party Service Providers, and Participants Based Outside of the United States. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company, its Affiliates, and/or its Subsidiaries operate or have Employees, Directors, Third Party Service Providers, or Participants, the Committee, in its sole discretion, shall have the power and authority to:

- a. Determine which Affiliates and Subsidiaries shall be covered by the Plan;
- b. Determine which Employees, Directors, Third Party Service Providers, or Participants outside the United States are eligible to participate in the Plan;
- c. Modify the terms and conditions of any Award granted to Employees, Directors, Third Party Service Providers, or Participants outside the United States to comply with applicable foreign laws;
- d. Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 22.9 by the Committee shall be attached to this Plan document as appendices; and
- e. Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate applicable law.

22.10 Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a uncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

22.11 Unfunded Plan. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company, and/or its Subsidiaries, and/or Affiliates may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other person. To the extent that

any person acquires a right to receive payments from the Company, and/or its Subsidiaries, and/or Affiliates under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company, a Subsidiary, or an Affiliate, as the case may be. All payments to be made hereunder shall be paid from the general funds of the Company, a Subsidiary, or an Affiliate, as the case may be and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not subject to ERISA.

22.12 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

22.13 Retirement and Welfare Plans. Neither Awards made under the Plan nor Shares or cash paid pursuant to such Awards, except pursuant to Covered Employee Annual Incentive Awards, will be included as “compensation” for purposes of computing the benefits payable to any Participant under the Company’s or any Subsidiary’s or Affiliate’s retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a participant’s benefit.

22.14 Nonexclusivity of the Plan. The adoption of this Plan shall not be construed as creating any limitations on the power of the Board or Committee to adopt such other compensation arrangements as it may deem desirable for any Participant.

22.15 No Constraint on Corporate Action. Nothing in this Plan shall be construed to: (i) limit, impair, or otherwise affect the Company’s or a Subsidiary’s or an Affiliate’s right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or, (ii) limit the right or power of the Company or a Subsidiary or an Affiliate to take any action which such entity deems to be necessary or appropriate.

22.16 Right of First Refusal. Unless otherwise set forth in the Award Agreement, shares acquired under the Plan by a Participant may not be sold or otherwise disposed of in any way (including a transfer or gift or by reason of the death of the Participant) until the Participant (or his legal representative, legatee or distributee of his or her estate) first offers to sell the Shares to the Company as herein provided. The price per Share at which the Shares shall be offered to the Company shall be the closing price per Share reported on the Consolidated Tape (as such price is reported in the *Wall Street Journal* or if such publication is unavailable then *Reuters*) on the date the Participant’s offer is received by the Secretary of the Company. If the Company fails to accept the offer to purchase such Shares within seven days after such date, the Shares shall thereafter be free of all restrictions under the Plan.

22.17 Ratification of Actions. By accepting any Award or other benefit under the Plan, each Participant and each person claiming under or through each Participant shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

22.18 Governing Law. The Plan and each Award Agreement shall be governed by the laws of the State of New York excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of New York, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

22.19 Jury Waiver. Every Participant, every person claiming under or through a Participant, and the Company hereby waives to the fullest extent permitted by applicable law any right to a trial by jury with respect to any litigation directly or indirectly arising out of, under, or in connection with the Plan or any Award Agreement issued pursuant to the Plan.

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: July 28, 2015

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: July 28, 2015

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 June 27, 2015 (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: July 28, 2015

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 June 27, 2015 (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: July 28, 2015

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.

