KOTZABASAKIS MANOLIS E
Form 4
April 30, 2010

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
KOTZABASAKIS MANOLIS E

(Last) (First) (Middle)

ASPEN TECHNOLOGY, INC., 200 WHEELER ROAD

(Street)

BURLINGTON, MA 01803

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ASPEN TECHNOLOGY INC /DE/ [AZPN]

3. Date of Earliest Transaction (Month/Day/Year)
04/28/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)
SVP, Sales and Strategy

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/28/2010		M		750 (1)	A	$ 0	72,902	D	
Common Stock (7)	04/28/2010		F		239	D	$ 11.45	72,663	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price Derivat Securit (Instr. 5
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Restricted Stock Units (2)	$ 0 (3)	04/28/2010		M			750	(5)	(6)	Common Stock	750	$ 0

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KOTZABASAKIS MANOLIS E ASPEN TECHNOLOGY, INC. 200 WHEELER ROAD BURLINGTON, MA 01803			SVP, Sales and Strategy	

Signatures

/s/F.G. Hammond, Attorney-In-Fact	04/30/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Restricted Stock Units do not have an exercise price.

(2) Each restricted stock unit represents a contingent right to receive one share of Aspen Technology, Inc. common stock.

(3) Restricted Stock Units do not have an exercise price.

(4) Restricted Stock Units do not have an exercise price.

(5) The Restricted Stock Unit vested as to 25% on achievement of specified performance goals in the fiscal year ending June 30, 2007 and the balance vests in 12 equal quarterly installments thereafter.

(6) The Restricted Stock Unit vested as to 25% on achievement of specified performance goals in the fiscal year ending June 30, 2007 and the balance vests in 12 equal quarterly installments thereafter.

(7) Shares withheld by Registrant to satisfy statutory tax withholding requirements on vesting of Restricted Stock Units and distribution of stock.

Remarks:
Revised PoA attached.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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International
(53,088) 3,543 1,506

(88,212) 8,661 (9,433)

$16,722 $180,697 $128,457

The principal causes of the difference between the U.S. federal statutory tax rate of 35% and effective income tax rates for the years ended December 31 are as follows:

	2008	2007	2006
United States	$ 5,409	$ 262,068	$ 252,334
International	(602,322)	330,115	265,943
Income before income taxes and minority interest	$ (596,913)	$ 592,183	$ 518,277
Provision at statutory tax rate	$ (208,919)	$ 207,264	$ 181,397
State taxes, net of federal benefit	2,352	12,047	13,073
International effective tax rate differential	(28,801)	(54,448)	(24,492)
Non-deductible impairment charge	237,602	-	-
Other non-deductible expenses	10,424	3,270	2,280
Changes in tax accruals and reserves	4,188	15,838	(40,426)
Other	(124)	(3,274)	(3,375)
Provision for income taxes	$ 16,722	$ 180,697	$ 128,457

During the fourth quarter of 2008, the company recorded a reduction of the provision for income taxes of $8,450 and an increase in interest expense of $1,009 ($962 net of related taxes) primarily related to the settlement of certain international income tax matters covering multiple years.
During 2007, the company recorded an income tax benefit of $6,024, net, principally due to a reduction in deferred income taxes as a result of the statutory tax rate change in Germany. These deferred income taxes primarily related to the amortization of intangible assets for income tax purposes, which are not amortized for accounting purposes.
During 2006, the company settled certain income tax matters covering multiple years. As a result of the settlement of the tax matters, the company recorded a reduction of the provision for income taxes of

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$46,176, of which $40,426 related to tax years prior to 2006, and recorded a reduction of interest expense of $6,900 ($4,200 net of related taxes), of which $3,994 related to tax years prior to 2006, in the company s consolidated statements of operations.

Effective January 1, 2007, the company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There was not a material impact on the company s consolidated financial position and results of operations as a result of the adoption of the provisions of FIN 48. At December 31, 2008, the company had a liability for unrecognized tax benefits of $69,719 (of which $69,820, if recognized, would favorably affect the company s effective tax rate). The company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

Interest costs related to unrecognized tax benefits are classified as a component of Interest expense, net in the company s consolidated statements of operations. Penalties, if any, are recognized as a component of Selling, general and administrative expenses. In 2008 and 2007, the company recognized $1,476 and $4,149, respectively, of interest expense related to unrecognized tax benefits. At December 31, 2008 and 2007, the company had a liability for the payment of interest of $11,634 and $10,395, respectively, related to unrecognized tax benefits.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31 is as follows:

	2008	**2007**
Balance at beginning of year	$ 77,702	$ 43,308
Additions based on tax positions taken during a prior period	12,179	22,714
Reductions based on tax positions taken during a prior period	(19,446)	-
Additions based on tax positions taken during the current period	4,125	14,943
Reductions based on tax positions taken during the current period	-	-
Reductions related to settlement of tax matters	(3,866)	(2,762)
Reductions related to a lapse of applicable statute of limitations	(975)	(501)
Balance at end of year	$ 69,719	$ 77,702

In many cases the company s uncertain tax positions are related to tax years that remain subject to examination by tax authorities. The following describes the open tax years, by major tax jurisdiction, as of December 31, 2008:

United States Federal	2005 present
United States State	1998 present
Germany (a)	2007 present
Hong Kong	2001 present
Italy (a)	2004 present
Sweden	2003 present
United Kingdom	2006 present

(a) Includes federal as well as local jurisdictions.

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated balance sheets. These temporary differences result in taxable or deductible amounts in future years.

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The significant components of the company s deferred tax assets and liabilities, included primarily in Prepaid expenses and other assets, Other assets, and Other liabilities in the company s consolidated balance sheets, consist of the following at December 31:

	2008	2007
Deferred tax assets:		
Net operating loss carryforwards	$ 36,991	$ 39,154
Capital loss carryforwards	2,242	12,457
Inventory adjustments	32,037	36,335
Allowance for doubtful accounts	12,917	14,232
Accrued expenses	43,839	52,692
Other compensation income items	23,096	5,135
Derivative financial instruments	18,225	23,981
Restructuring and integration reserves	5,233	2,060
Goodwill	31,574	-
Other	6,084	4,045
	212,238	190,091
Valuation allowance	(27,068)	(34,814)
Total deferred tax assets	$ 185,170	$ 155,277
Deferred tax liabilities:		
Goodwill	$ -	$ (60,887)
Other	-	(2,734)
Total deferred tax liabilities	$ -	$ (63,621)
Total net deferred tax assets	$ 185,170	$ 91,656

At December 31, 2008, certain international subsidiaries had tax loss carryforwards of approximately $129,773 expiring in various years after 2009. Deferred tax assets related to the tax loss carryforwards of the international subsidiaries in the amount of $33,006 as of December 31, 2008 were recorded with a corresponding valuation allowance of $17,832. The impact of the change in this valuation allowance on the effective rate reconciliation is included in the international effective tax rate differential.

At December 31, 2008, the company had a capital loss carryforward of approximately $5,716. This loss will expire through 2009. A full valuation allowance of $2,242 was provided against the deferred tax asset relating to the capital loss carryforward.

Valuation allowances reflect the deferred tax benefits that management is uncertain of the ability to utilize in the future.

Cumulative undistributed earnings of international subsidiaries were $1,246,688 at December 31, 2008. No deferred U.S. federal income taxes were provided for the undistributed earnings as they are permanently reinvested in the company s international operations.

Income taxes paid, net of income taxes refunded, amounted to $144,215, $189,620, and $163,889 in 2008, 2007, and 2006, respectively.

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9. Restructuring and Integration Charges

2008 Restructuring and Integration Charge

In 2008, the company recorded a restructuring and integration charge of $70,065 ($55,300 net of related taxes or $.46 per share on both a basic and diluted basis). Included in the restructuring and integration charge for 2008 is a restructuring charge of $69,836 related to initiatives by the company to improve operating efficiencies. These actions are expected to reduce costs by approximately $57,000 per annum, with approximately $17,000 realized in 2008. Also included in the restructuring and integration charge for 2008 is a restructuring credit of $322 related to adjustments to reserves previously established through restructuring charges in prior periods and an integration charge of $551, primarily related to the ACI and KeyLink acquisitions.

The following table presents the 2008 restructuring charge and activity in the related restructuring accrual for 2008:

	Personnel Costs	Facilities	Asset Write-Downs	Other	Total
Restructuring charge	$ 39,383	$ 4,305	$ 25,423	$ 725	$ 69,836
Payments	(24,238)	(474)	-	(225)	(24,937)
Non-cash usage	-	-	(25,423)	-	(25,423)
Reclassification of capital lease	-	810	-	-	810
Foreign currency translation	(949)	78	-	-	(871)
December 31, 2008	$ 14,196	$ 4,719	$ -	$ 500	$ 19,415

The restructuring charge of $69,836 in 2008 primarily includes personnel costs of $39,383, facility costs of $4,305, and a write-down of a building and related land of $25,423. These initiatives are the result of the company s continued efforts to lower cost and drive operational efficiency. The personnel costs are primarily associated with the elimination of approximately 750 positions across multiple functions and multiple locations. The facilities costs are related to the exit activities of 9 vacated facilities in North America and Europe. During the fourth quarter of 2008, the company s management approved a plan to actively market and sell a building and related land in North America within the company s global components business segment acquired in 2000 in connection with the acquisition of Wyle. The decision to exit this location was made to enable the company to consolidate facilities and reduce future operating costs. The sale is expected to be completed within the next twelve months. As a result of this action, the asset was designated as an asset held for sale, in accordance with FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, and is included in Prepaid expenses and other assets on the company s consolidated balance sheet as of December 31, 2008. Upon the designation, the carrying values of the building and related land were recorded at the lower of their carrying values or their estimated fair values less cost to sell, and the company ceased recording depreciation. The company wrote-down the carrying values of the building and related land by $25,423 to $9,500.

2007 Restructuring and Integration Charge

In 2007, the company recorded a restructuring and integration charge of $11,745 ($7,036 net of related taxes or $.06 per share on both a basic and diluted basis). Included in the restructuring and integration charge for 2007 is a restructuring charge of $9,708 related to initiatives by the company to improve operating efficiencies, resulting in expected cost savings of approximately $40,000 per annum. Also included in the restructuring and integration charge for 2007 is a restructuring credit of $359 primarily related to the reversal of excess reserves, which were previously established through restructuring

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charges in prior periods, a gain on the sale of the Lenexa, Kansas facility of $548 that was vacated in 2007 due to the company s continued efforts to reduce real estate costs, and an integration charge of
$2,944 primarily related to the acquisition of KeyLink.

The following table presents the 2007 restructuring charge and activity in the related restructuring accrual for 2007 and 2008:

	Personnel Costs	Facilities	Other	Total
Restructuring charge (credit)	$ 11,312	$ (1,947)	$ 343	$ 9,708
Payments/proceeds	(7,563)	7,896	(258)	75
Foreign currency translation	66	(133)	(71)	(138)
December 31, 2007	3,815	5,816	14	9,645
Restructuring charge	586	540	-	1,126
Payments	(3,807)	(1,245)	(14)	(5,066)
Foreign currency translation	(129)	(1,286)	-	(1,415)
December 31, 2008	$ 465	$ 3,825	$ -	$ 4,290

The restructuring charge of $9,708 in 2007 primarily includes personnel costs of $11,312 related to the elimination of approximately 400 positions. These positions were primarily within the company s global components business segment in North America and related to the company s continued focus on operational efficiency. Facilities include a restructuring credit of $1,947, primarily related to a gain on the sale of the Harlow, England facility of $8,506 that was vacated in 2007. This was offset by facilities costs of $6,559, primarily related to exit activities for a vacated facility in Europe due to the company s continued efforts to reduce real estate costs.

2006 Restructuring and Integration Charge

In 2006, the company recorded a restructuring and integration charge of $11,829 ($8,977 net of related taxes or $.07 per share on both a basic and diluted basis). Included in the restructuring and integration charge for 2006 is a restructuring charge of $12,280 related to initiatives by the company to improve operating efficiencies, resulting in expected cost savings of approximately $9,000 per annum. Also included in the restructuring and integration charge for 2006 is a restructuring credit of $451 primarily related to the reversal of excess reserves, which were previously established through restructuring charges in prior periods.

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The following table presents the 2006 restructuring charge and activity in the related restructuring accrual for 2006, 2007, and 2008:

	Personnel Costs	Facilities	Asset Write-Downs	Other	Total
Restructuring charge	$ 6,542	$ 1,228	$ 4,484	$ 26	$ 12,280
Payments	(4,305)	(624)	-	(26)	(4,955)
Non-cash usage	-	-	(4,484)	-	(4,484)
Foreign currency translation	(26)	(92)	-	-	(118)
December 31, 2006	2,211	512	-	-	2,723
Restructuring credit	(330)	(548)	-	-	(878)
Payments	(1,568)	13	-	-	(1,555)
Foreign currency translation	32	23	-	-	55
December 31, 2007	345	-	-	-	345
Restructuring credit	(73)	-	-	-	(73)
Payments	(59)	-	-	-	(59)
Foreign currency translation	(6)	-	-	-	(6)
December 31, 2008	$ 207	$ -	$ -	$ -	$ 207

The restructuring charge of $12,280 in 2006 includes personnel costs of $6,542 related to the elimination of approximately 300 positions. These positions were primarily within the company s global components business segment in North America and related to the outsourcing of certain administrative functions and the closure of a warehouse facility. Facilities costs of $1,228 were incurred related to exit activities of three vacated facilities in Europe due to the company s continued efforts to reduce real estate costs. Also included in the restructuring charge is a charge related to the write-down of certain capitalized software in Europe of $4,484. This write-down resulted from the company s decision in the fourth quarter of 2006 to implement a global Enterprise Resource Planning system, which caused these software costs to become redundant and have no future benefit.

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Restructuring Accrual Related to Actions Taken Prior to 2006

The following table presents the activity in the restructuring accrual during 2006, 2007, and 2008 related to actions taken prior to 2006:

	Personnel Costs	Facilities	Other	Total
December 31, 2005	$ 4,640	$ 5,525	$ 3,821	$ 13,986
Restructuring charge (credit)	(236)	888	(1,103)	(451)
Payments	(3,933)	(3,828)	62	(7,699)
Foreign currency translation	(81)	(46)	26	(101)
December 31, 2006	390	2,539	2,806	5,735
Restructuring charge (credit)	(176)	1,509	(1,362)	(29)
Payments	(214)	(1,470)	-	(1,684)
Foreign currency translation	-	146	183	329
December 31, 2007	-	2,724	1,627	4,351
Restructuring credit	-	(124)	(1,251)	(1,375)
Payments	-	(1,006)	-	(1,006)
Non-cash usage	-	-	(201)	(201)
Foreign currency translation	-	(181)	105	(76)
December 31, 2008	$ -	$ 1,413	$ 280	$ 1,693

Integration

Included in the restructuring and integration charges referenced above is an integration charge of $551 for 2008, primarily related to the ACI and KeyLink acquisitions, and an integration charge of $2,944 for 2007, primarily related to the acquisition of KeyLink.

The following table presents the integration charge and activity for 2006, 2007, and 2008:

	Personnel Costs	Facilities	Other	Total
December 31, 2005	$ 24	$ 4,374	$ 1,370	$ 5,768
Payments	(295)	(1,682)	(838)	(2,815)
Reclassification	271	(346)	75	-
Non-cash usage	-	(59)	-	(59)
Foreign currency translation	-	448	51	499
December 31, 2006	-	2,735	658	3,393
Integration costs (a)	1,666	(535)	2,609	3,740
Payments	(1,109)	(684)	(251)	(2,044)
Foreign currency translation	-	58	-	58

December 31, 2007	557	1,574	3,016	5,147
Integration costs (b)	774	435	(323)	886
Payments	(1,091)	(1,186)	-	(2,277)
Foreign currency translation	-	11	-	11
December 31, 2008	$ 240	$ 834	$ 2,693	$ 3,767

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(a) Integration costs of $3,740 in 2007 include $2,944 recorded as an integration charge and $796 recorded as additional costs in excess of net assets of companies acquired. The integration costs include personnel costs of $1,666 associated with the elimination of approximately 50 positions in North America related to the acquisition of KeyLink, a credit of $535 primarily related to the reversal of excess facility-related accruals in connection with certain acquisitions made prior to 2005 and other costs of $2,609.

(b) Integration costs of $886 in 2008 include $551 recorded as an integration charge and $335 recorded as additional costs in excess of net assets of companies acquired. Integration costs primarily include personnel costs of $774 related to the elimination of 11 positions in North America related to the ACI and KeyLink acquisitions and 1 position in Europe related to the Centia/AKS acquisition. Integration costs also include costs related to a vacated facility in Asia associated with the Achieva acquisition.

Restructuring and Integration Summary

In summary, the restructuring and integration accruals aggregate $29,372 at December 31, 2008, of which $28,658 is expected to be spent in cash, and are expected to be utilized as follows:

The accruals for personnel costs of $15,108 to cover the termination of personnel are primarily expected to be spent within one year.

The accruals for facilities totaling $10,791 relate to vacated leased properties that have scheduled payments of $3,310 in 2009, $3,114 in 2010, $1,191 in 2011, $948 in 2012, $935 in 2013, and $1,293 thereafter.

Other accruals of $3,473 are expected to be utilized over several years.

10. Shareholders Equity

The activity in the number of shares outstanding is as follows (in thousands):

	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Common stock outstanding at December 31, 2005	120,286	272	120,014
Restricted stock awards, net	-	(65)	65
Exercise of stock options	2,339	-	2,339
Other	1	-	1
Common stock outstanding at December 31, 2006	122,626	207	122,419
Exercise of stock options	2,216	-	2,216
Restricted stock and performance share awards, net	197	(70)	267
Repurchases of common stock	-	2,075	(2,075)
Common stock outstanding at December 31, 2007	125,039	2,212	122,827
Exercise of stock options	8	(167)	175
Restricted stock and performance share awards, net	1	(146)	147
Repurchases of common stock	-	3,841	(3,841)
Common stock outstanding at December 31, 2008	125,048	5,740	119,308

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The company has 2,000,000 authorized shares of serial preferred stock with a par value of one dollar. There were no shares of serial preferred stock outstanding at December 31, 2008 and 2007.

Share-Repurchase Programs

In February 2006, the Board of Directors authorized the company to repurchase up to $100,000 of the company s outstanding common stock through a share-repurchase program. In December 2007, the Board of Directors authorized the company to repurchase an additional $100,000 of the company s outstanding common stock. As of December 31, 2008, the company repurchased 5,916,596 shares under these programs with a market value of $200,000 at the dates of repurchase.

11. Net Income (Loss) Per Share

The following table sets forth the calculation of net income per share on a basic and diluted basis for the years ended December 31 (shares in thousands):

	2008	2007	2006
Net income (loss), as reported	$ (613,739)	$ 407,792	$ 388,331
Adjustment for interest expense on convertible debentures, net of tax	-	-	524
Net income (loss), as adjusted	$ (613,739)	$ 407,792	$ 388,855
Net income (loss) per share:			
Basic	$ (5.08)	$ 3.31	$ 3.19
Diluted (a)	$ (5.08)	$ 3.28	$ 3.16
Weighted average shares outstanding-basic	120,773	123,176	121,667
Net effect of various dilutive stock-based compensation awards	-	1,253	1,047
Net effect of dilutive convertible debentures	-	-	467
Weighted average shares outstanding-diluted	120,773	124,429	123,181

(a) The effect of options to purchase 4,368, 43, and 2 shares for the years ended December 31, 2008, 2007, and 2006, respectively, was excluded from the calculation of

net income
(loss) per share
on a diluted
basis as their
effect was
anti-dilutive.

12. Employee Stock Plans

Omnibus Plan

The company maintains the Arrow Electronics, Inc. 2004 Omnibus Incentive Plan (the Omnibus Plan), which replaced the Arrow Electronics, Inc. Stock Option Plan, the Arrow Electronics, Inc. Restricted Stock Plan, the 2002 Non-Employee Directors Stock Option Plan, the Non-Employee Directors Deferral Plan, and the 1999 CEO Bonus Plan (collectively, the Prior Plans). The Omnibus Plan broadens the array of equity alternatives available to the company when designing compensation incentives. The Omnibus Plan permits the grant of cash-based awards, non-qualified stock options, incentive stock options (ISOs), stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, covered employee annual incentive awards, and other stock-based awards. The Compensation Committee of the company s Board of Directors (the Compensation Committee) determines the vesting requirements, termination provision, and the terms of the award for any awards under the Omnibus Plan when such awards are issued.

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Under the terms of the Omnibus Plan, a maximum of 13,300,000 shares of common stock may be awarded, subject to adjustment. There were 6,957,960 and 3,549,067 shares available for grant under the Omnibus Plan as of December 31, 2008 and 2007, respectively. Shares currently subject to awards granted under the Prior Plans, which cease to be subject to such awards for any reason other than exercise for, or settlement in, shares will also be available under the Omnibus Plan. Generally, shares are counted against the authorization only to the extent that they are issued. Restricted stock, restricted stock units, and performance shares count against the authorization at a rate of 1.69 to 1. After adoption of the Omnibus Plan, there were no additional awards made under any of the Prior Plans, though awards previously granted under the Prior Plans will survive according to their terms.

Stock Options

Under the Omnibus Plan, the company may grant both ISOs and non-qualified stock options. ISOs may only be granted to employees, subsidiaries, and affiliates. The exercise price for options cannot be less than the fair market value of Arrow s common stock on the date of grant. Options granted under the Prior Plans become exercisable in equal installments over a four-year period, except for stock options authorized for grant to directors, which become exercisable in equal installments over a two-year period. Options currently outstanding have terms of ten years.

The following information relates to the stock option activity for the year ended December 31, 2008:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2007	4,481,816	$ 31.30		
Granted	484,078	32.18		
Exercised	(175,902)	24.72		
Forfeited	(422,051)	33.80		
Outstanding at December 31, 2008	4,367,941	31.42	80 months	$ 1,374
Exercisable at December 31, 2008	2,267,139	28.16	65 months	$ 1,374

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the company s closing stock price on the last trading day of 2008 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2008. This amount changes based on the market value of the company s stock.

The total intrinsic value of options exercised during 2008, 2007, and 2006 was $1,398, $30,739, and $21,158, respectively.

Cash received from option exercises during 2008, 2007, and 2006 was $4,392, $55,228, and $59,194, respectively, and is included within the financing activities section in the company s consolidated statements of cash flows. The actual tax benefit realized from share-based payment awards during 2008, 2007, and 2006 was $3,551, $11,249, and $7,297, respectively.

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The fair value of stock options was estimated using the Black-Scholes valuation model with the following weighted-average assumptions for the years ended December 31:

	2008	**2007**	**2006**
Volatility (percent) *	33	29	35
Expected term (in years) **	5.5	3.6	4.4
Risk-free interest rate (percent) ***	2.9	4.6	4.7

* Volatility is measured using historical daily price changes of the company s common stock over the expected term of the option.

** The expected term represents the weighted average period the option is expected to be outstanding and is based primarily on the historical exercise behavior of employees.

*** The risk-free interest rate is based on the U.S. Treasury zero-coupon yield with a maturity that approximates the expected term of the option.

There is no expected dividend yield.

The weighted-average fair value per option granted was $11.63, $11.03, and $11.11 during 2008, 2007, and 2006, respectively.

Performance Shares

The Compensation Committee, subject to the terms and conditions of the Omnibus Plan, may grant performance unit and/or performance share awards. The fair value of a performance unit award is the fair market value of the company s common stock on the date of grant. Such awards will be earned only if performance goals over performance periods established by or under the direction of the Compensation Committee are met. The performance goals and periods may vary from participant-to-participant, group-to-group, and time-to-time. The performance shares will be delivered in common stock at the end of the service period based on the company s actual performance compared to the target metric and may be from 0% to 200% of the initial award. Compensation expense is recognized on a straight-line basis over the service period, which is generally three years and is adjusted each period based on the current estimate of performance compared to the target metric.

Restricted Stock

Subject to the terms and conditions of the Omnibus Plan, the Compensation Committee may grant shares of restricted stock and/or restricted stock units. Restricted stock units are similar to restricted stock except that no shares are actually awarded to the participant on the date of grant. Shares of restricted stock and/or restricted stock units awarded under the Omnibus Plan may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable period of restriction established by the Compensation Committee and specified in the award agreement (and in the case of restricted stock units until the date of delivery or other payment). Compensation expense is recognized on a straight-line basis as shares become free of forfeiture restrictions (i.e., vest) generally over a four-year period.

Non-Employee Director Awards

The company s Board of Directors (the Board) shall set the amounts and types of equity awards that shall be granted to all non-employee directors on a periodic, nondiscriminatory basis pursuant to the Omnibus Plan, as well as any additional amounts, 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 Lead Director, or the first

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selection or appointment of an individual to the Board as a non-employee director. Non-employee directors currently receive annual awards of restricted stock units valued at $60. The restricted stock units will vest one year from date of grant and are subject to further restrictions until one year following the director s separation from the Board. All restricted stock units are settled in common stock after the restriction period.

Unless a non-employee director gives notice setting forth a different percentage, 50% of each director s annual retainer fee is deferred and converted into units based on the fair market value of the company s stock as of the date it was payable. Upon a non-employee director s retirement from the Board, each unit in their deferral account will be converted into a share of company stock and distributed to the non-employee director as soon as practicable following such date.

Summary of Non-Vested Shares

The following information summarizes the changes in non-vested performance shares, restricted stock, restricted stock units, and non-employee director awards for 2008:

	Shares	**Weighted Average Grant Date Fair Value**
Non-vested shares at December 31, 2007	848,364	$ 34.07
Granted	995,866	32.04
Vested	(325,898)	28.49
Forfeited	(91,085)	34.93
Non-vested shares at December 31, 2008	1,427,247	33.88

As of December 31, 2008, there was $13,092 of total unrecognized compensation cost related to non-vested shares which is expected to be recognized over a weighted-average period of 2.5 years. The total fair value of shares vested during 2008, 2007, and 2006 was $10,313, $11,803, and $4,841, respectively.

Stock Ownership Plan

The company maintains a noncontributory employee stock ownership plan, which enables most North American employees to acquire shares of the company s common stock. Contributions, which are determined by the Board, are in the form of common stock or cash, which is used to purchase the company s common stock for the benefit of participating employees. Contributions to the plan for 2008, 2007, and 2006 amounted to $11,290, $10,857, and $9,668, respectively.

13. Employee Benefit Plans

On December 31, 2006, the company adopted the provisions of FASB Statement No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R) (Statement No. 158), which required the company to recognize the funded status of its defined benefit plans in the company s consolidated balance sheet at December 31, 2006, with the corresponding adjustment to accumulated other comprehensive income, net of tax. The adjustment to accumulated other comprehensive income upon adoption represents the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition obligation remaining from the initial adoption of FASB Statement No. 87, Employers Accounting for Pensions (Statement No. 87), which were previously netted against the funded status in the company s consolidated balance sheets in accordance with the provisions of Statement No. 87.

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In 2008 and 2007, actuarial losses of $14,045 and $3,749, respectively, were recognized in comprehensive income, net of related taxes. In 2008 and 2007, the following amounts were recognized as a reclassification adjustment of comprehensive income, net of related taxes, as a result of being recognized in net periodic pension cost: transition obligation of $299 and $293, respectively, prior service cost of $323 and $315, respectively, and an actuarial loss of $939 and $1,274, respectively.

Included in accumulated other comprehensive loss at December 31, 2008 and 2007 are the following amounts, net of related taxes, that have not yet been recognized in net periodic pension cost: unrecognized transition obligation of $757 and $1,056, respectively, unrecognized prior service costs of $289 and $612, respectively, and unrecognized actuarial losses of $31,950 and $18,844, respectively.

The transition obligation, prior service cost, and actuarial loss included in accumulated other comprehensive loss, net of related taxes, which are expected to be recognized in net periodic pension cost for the year ended December 31, 2009 are $306, $323, and $2,312, respectively.

Supplemental Executive Retirement Plans (SERP)

The company maintains an unfunded Arrow SERP under which the company will pay supplemental pension benefits to certain employees upon retirement. There are 26 current and former corporate officers participating in this plan. The Board determines those employees who are eligible to participate in the Arrow SERP.

The Arrow SERP, as amended in 2002, provides for the pension benefits to be based on a percentage of average final compensation, based on years of participation in the Arrow SERP. The Arrow SERP permits early retirement, with payments at a reduced rate, based on age and years of service subject to a minimum retirement age of 55. Participants whose accrued rights under the Arrow SERP, prior to the 2002 amendment, which were adversely affected by the amendment, will continue to be entitled to such greater rights.

The company acquired Wyle Electronics (Wyle) in 2000. Wyle also sponsored an unfunded SERP for certain of its executives. Benefit accruals for the Wyle SERP were frozen as of December 31, 2000. There are 19 participants in this plan.

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The company uses a December 31 measurement date for the Arrow SERP and the Wyle SERP. Pension information for the years ended December 31 is as follows:

	2008	2007
Accumulated benefit obligation	$ 46,286	$ 44,958
Changes in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 53,065	$ 49,103
Service cost (Arrow SERP)	2,587	2,651
Interest cost	2,929	2,800
Actuarial (gain)/loss	(1,768)	1,223
Benefits paid	(2,928)	(2,712)
Projected benefit obligation at end of year	$ 53,885	$ 53,065
Funded status	$ (53,885)	$ (53,065)
Components of net periodic pension cost:		
Service cost (Arrow SERP)	$ 2,587	$ 2,651
Interest cost	2,929	2,800
Amortization of net loss	321	411
Amortization of prior service cost (Arrow SERP)	549	549
Amortization of transition obligation (Arrow SERP)	411	411
Net periodic pension cost	$ 6,797	$ 6,822
Weighted average assumptions used to determine benefit obligation:		
Discount rate	6.00%	5.75%
Rate of compensation increase (Arrow SERP)	5.00%	5.00%
Weighted average assumptions used to determine net periodic pension cost:		
Discount rate	5.75%	5.75%
Rate of compensation increase (Arrow SERP)	5.00%	5.00%

The amounts reported for net periodic pension cost and the respective benefit obligation amounts are dependent upon the actuarial assumptions used. The company reviews historical trends, future expectations, current market conditions, and external data to determine the assumptions. The discount rate represents the market rate for a high quality corporate bond. The rate of compensation increase is determined by the company, based upon its long-term plans for such increases. The actuarial assumptions used to determine the net periodic pension cost are based upon the prior year s assumptions used to determine the benefit obligation.

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Benefit payments are expected to be paid as follows:

2009	$ 3,587
2010	3,517
2011	3,601
2012	3,573
2013	3,611
2014 - 2018	20,411

Defined Benefit Plan

Wyle provided retirement benefits for certain employees under a defined benefit plan. Benefits under this plan were frozen as of December 31, 2000 and former participants may now participate in the company s employee stock ownership and 401(k) plans. The company uses a December 31 measurement date for this plan. Pension information for the years ended December 31 is as follows:

	2008	**2007**
Accumulated benefit obligation	$ 101,077	$ 101,494
Changes in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 101,494	$ 98,168
Interest cost	5,769	5,441
Actuarial (gain)/loss	(1,033)	2,957
Benefits paid	(5,153)	(5,072)
Projected benefit obligation at end of year	$ 101,077	$ 101,494
Changes in plan assets:		
Fair value of plan assets at beginning of year	$ 81,364	$ 79,875
Actual return on plan assets	(19,691)	6,561
Company contributions	5,808	-
Benefits paid	(5,153)	(5,072)
Fair value of plan assets at end of year	$ 62,328	$ 81,364
Funded status	$ (38,749)	$ (20,130)
Components of net periodic pension cost:		
Interest cost	$ 5,769	$ 5,441
Expected return on plan assets	(6,830)	(6,546)
Amortization of net loss	1,552	1,209

Net periodic pension cost	$	491	$	104
Weighted average assumptions used to determine benefit obligation:				
Discount rate		6.00%		5.75%
Expected return on plan assets		8.00%		8.50%

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	2008	2007
Weighted average assumptions used to determine net periodic pension cost:		
Discount rate	5.75%	5.75%
Expected return on plan assets	8.50%	8.50%

The amounts reported for net periodic pension cost and the respective benefit obligation amounts are dependent upon the actuarial assumptions used. The company reviews historical trends, future expectations, current market conditions, and external data to determine the assumptions. The discount rate represents the market rate for a high quality corporate bond. The expected return on plan assets is based on current and expected asset allocations, historical trends, and expected returns on plan assets. The actuarial assumptions used to determine the net periodic pension cost are based upon the prior year s assumptions used to determine the benefit obligation.

The company makes contributions to the plan so that minimum contribution requirements, as determined by government regulations, are met. The company made contributions of $5,808 in 2008 and expects to make estimated contributions in 2009 of $11,400.

Benefit payments are expected to be paid as follows:

2009	$ 5,960
2010	6,091
2011	6,126
2012	6,222
2013	6,357
2014 - 2018	33,795

The plan asset allocations at December 31 are as follows:

	2008	2007
Equities	52%	61%
Fixed income	47	38
Cash	1	1
	100%	100%

The investment portfolio contains a diversified blend of common stocks, bonds, cash equivalents, and other investments, which may reflect varying rates of return. The investments are further diversified within each asset classification. The portfolio diversification provides protection against a single security or class of securities having a disproportionate impact on aggregate performance. The long-term target allocations for plan assets are 65% in equities and 35% in fixed income, although the actual plan asset allocations may be within a range around these targets. The actual asset allocations are reviewed and rebalanced on a periodic basis to maintain the target allocations.

Defined Contribution Plan

The company has a defined contribution plan for eligible employees, which qualifies under Section 401(k) of the Internal Revenue Code. The company s contribution to the plan, which is based on a specified percentage of employee contributions, amounted to $9,420, $8,783, and $7,967 in 2008, 2007, and 2006, respectively. Certain international subsidiaries maintain separate defined contribution plans for their

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employees and made contributions thereunder, which amounted to $17,759, $11,113, and $6,593 in 2008, 2007, and 2006, respectively.

14. Lease Commitments

The company leases certain office, distribution, and other property under non-cancelable operating leases expiring at various dates through 2022. Rental expense under non-cancelable operating leases, net of sublease income, amounted to $67,334, $60,173, and $54,790 in 2008, 2007, and 2006, respectively.

Aggregate minimum rental commitments under all non-cancelable operating leases, exclusive of real estate taxes, insurance, and leases related to facilities closed as a result of the integration of acquired businesses and the restructuring of the company, are as follows:

2009	$57,052
2010	43,678
2011	33,986
2012	23,820
2013	19,657
Thereafter	14,460

15. Contingencies

Preference Claim From 2001

In 2008, an opinion was rendered in a bankruptcy proceeding (Bridge Information Systems, *et. anno* v. Merisel Americas, Inc. & MOCA) in favor of Bridge Information Systems (Bridge), the estate of a former global ECS customer that declared bankruptcy in 2001. The proceeding is related to sales made in 2000 and early 2001 by the MOCA division of ECS, a company Arrow purchased from Merisel Americas in the fourth quarter of 2000. The court held that certain of the payments received by the company at the time were preferential and must be returned to Bridge. Accordingly, during 2008, the company recorded a charge of $10,890 ($6,576 net of related taxes or $.05 per share on both a basic and diluted basis), in connection with the preference claim from 2001, including legal fees.

Tekelec Matters

In 2000, the company purchased Tekelec Europe SA (Tekelec) from Tekelec Airtronic SA (Airtronic) 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 has commenced legal proceedings against Tekelec and its insurers to recover damages in the amount of 3,742 and expenses of 312 plus interest.

Environmental and Related Matters

Wyle Claims

In connection with the 2000 purchase of Wyle from the VEBA Group (VEBA), the company assumed certain of the then outstanding obligations of Wyle, including Wyle s 1994 indemnification of 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

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Wyle from VEBA, VEBA agreed to indemnify the company for costs associated with the Wyle environmental indemnities, among other things. The company is aware of two Wyle Laboratories facilities (in Huntsville, Alabama and Norco, California) at which contaminated groundwater was identified. Each site will require remediation, the final form and cost of which is undetermined.

Wyle Laboratories has demanded indemnification from the company with respect to the work at both sites (and in connection with the litigation discussed below), and the company has, in turn, demanded indemnification from VEBA. VEBA merged with a publicly traded, German conglomerate in June 2000. The combined entity, now known as E.ON AG, remains responsible for VEBA s liabilities. E.ON AG acknowledged liability under the terms of the VEBA contract in connection with the Norco and Huntsville sites and made an initial, partial payment. Neither the company s demands for subsequent payments nor its demand for defense and indemnification in the related litigation and other costs associated with the Norco site were met.

Related Litigation

In October 2005, the company filed suit against E.ON AG in the Frankfurt am Main Regional Court in Germany. The suit seeks indemnification, contribution, and a declaration of the parties respective rights and obligations in connection with the Riverside County litigation (discussed below) and other costs associated with the Norco site. That action is now proceeding.

The company was named as a defendant in several suits related to the Norco facility, all of which were consolidated for pre-trial purposes. In January 2005, an action was filed in the California Superior Court in Riverside County, California (Gloria Austin, *et al*. v. Wyle Laboratories, Inc. *et al*.). Approximately 90 plaintiff landowners and residents sued a number of defendants under a variety of theories for unquantified damages allegedly caused by environmental contamination at and around the Norco site. Also filed in the Superior Court in Riverside County were Jimmy Gandara, *et al.* v. Wyle Laboratories, Inc. *et al.* in January 2006, and Lisa Briones *et al*. v. Wyle Laboratories, Inc. *et al*. in May 2006, both of which contain allegations similar to those in the Austin case on behalf of approximately 20 additional plaintiffs. The Gandara matter has since been resolved to the satisfaction of the parties, but the outcome of the Austin and Briones cases and the amount of any associated liability are unknown.

The company was also named as a defendant in a lawsuit filed in September 2006 in the United States District Court for the Central District of California (Apollo Associates, L.P., *et anno*, v. Arrow Electronics, Inc. *et al.*) in connection with alleged contamination at a third site, an industrial building formerly leased by Wyle Laboratories, in El Segundo, California. The lawsuit was settled, though the possibility remains that government entities or others may attempt to involve the company in further characterization or remediation of groundwater issues in the area.

Environmental Matters Huntsville

Characterization of the extent of contaminated soil and groundwater continues at the site in Huntsville, Alabama. Under the direction of the Alabama Department of Environmental Management, approximately $1,800 was spent to date. The pace of the ongoing remedial investigations, project management and regulatory oversight is likely to increase somewhat and though the complete scope of the activities is not yet known, the company currently estimates additional investigative and related expenditures at the site of approximately $350 to $2,000. The nature and scope of both feasibility studies and subsequent remediation at the site has not yet been determined, but assuming the outcome includes source control and certain other measures, the cost is estimated to be between $2,500 and $4,000.

Environmental Matters Norco

In October 2003, the company entered into a consent decree among it, Wyle Laboratories and the California Department of Toxic Substance Control (the DTSC) in connection with the Norco site. In April

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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. The development of a final Remedial Action Work Plan is ongoing. An estimated $24,000 was expended to date on project management, regulatory oversight, and investigative and feasibility study activities.

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 the first quarter of 2008, an hydraulic containment system was installed to capture and treat groundwater before it moves into the adjacent offsite area. Approximately $6,000 was expended on remediation to date, and it is anticipated that these activities, along with the initial phases of the treatment of contaminated groundwater in the offsite area, will give rise to an additional estimated $9,300 to $20,500.

Costs categories related to environmental activities at Norco include those for Project Management and Regulatory Oversight, Remedial Investigations, Feasibility Studies, and Interim Remedial Actions. Project Management and Regulatory Oversight include costs incurred by Wyle Laboratories and project consultants for project management and costs billed by DTSC to provide regulatory oversight.

The company currently estimates that the additional cost of project management and regulatory oversight will range from $1,000 to $2,000. Ongoing remedial investigations (including costs related to soil and groundwater investigations), and the preparation of a final remedial investigation report are projected to cost between $400 and $1,000. Remaining feasibility study and Remedial Action Work Plan costs, including a final report and the design of remedial measures, are estimated to cost $600 to $800.

Despite the amount of work undertaken and planned to date, the complete scope of work under the consent decree is not yet known, and, accordingly, the associated costs have not yet been determined.

Impact on Financial Statements

The company believes that any cost which it may incur in connection with environmental conditions at the Norco, Huntsville, and El Segundo sites and the related litigation is covered by the contractual indemnifications (except, under the terms of the environmental indemnification, for the first $450), discussed above. The company believes that the recovery of costs incurred to date associated with the environmental clean-up costs related to the Norco and Huntsville sites, is probable. Accordingly, the company increased the receivable for amounts due from E.ON AG by $8,675 during 2008 to $33,619. The company s net costs for such indemnified matters may vary from period to period as estimates of recoveries are not always recognized in the same period as the accrual of estimated expenses. During 2006, the company recorded a charge of $1,449 ($867 net of related taxes or $.01 per share on both a basic and diluted basis) related to the environmental matters arising out of the company s purchase of Wyle.

Also included in the proceedings against E.ON AG is a claim for the reimbursement of pre-acquisition tax liabilities of Wyle in the amount of $8,729 for which E.ON AG is also contractually liable to indemnify the company. E.ON AG has specifically acknowledged owing the company not less than $6,335 of such amounts, but its promises to make payments of at least that amount were not kept. The company also believes that the recovery of these amounts is probable.

In connection with the acquisition of Wyle, the company acquired a $4,495 tax receivable due from E.ON AG (as successor to VEBA) in respect of certain tax payments made by Wyle prior to the effective date of the acquisition, the recovery of which the company also believes is probable.

As successor-in-interest to Wyle, the company is the beneficiary of the various Wyle insurance policies that covered liabilities arising out of operations at Norco and Huntsville. Certain of the carriers of the

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primary insurance policies implicated in the pending claims have undertaken substantial portions of the defense of the company in the Riverside County cases (Austin and Briones), and the company has recovered approximately $10 million from them to date. The company has sued certain of the umbrella liability policy carriers, however, because they have yet to make payment on the tendered losses.

The company believes strongly in the merits of its positions regarding the E.ON AG indemnity, the liabilities of the insurance carriers, and the absence of compensable damages to the Riverside County plaintiffs.

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, 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.

16. 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 enterprise computing solutions to VARs 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, for the years ended December 31 are as follows:

	2008	2007	2006
Sales:			
Global components	$ 11,319,482	$ 11,223,751	$ 11,086,359
Global ECS	5,441,527	4,761,241	2,490,753
Consolidated	$ 16,761,009	$ 15,984,992	$ 13,577,112
Operating income (loss):			
Global components	$ 533,126	$ 604,217	$ 582,978
Global ECS	196,269	202,223	123,653
Corporate (a)	(1,222,964)	(119,535)	(100,406)
Consolidated	$ (493,569)	$ 686,905	$ 606,225

(a) Includes restructuring and integration charges of $70,065, $11,745, and

$11,829 in 2008, 2007, and 2006, respectively. Also included in 2008 is a non-cash impairment charge associated with goodwill of $1,018,780 and a charge of $10,890 related to the preference claim from 2001. Additionally, 2006 includes a charge related to a pre-acquisition warranty claim of $2,837 and a charge related to pre-acquisition environmental matters arising out of the company s purchase of Wyle of $1,449.

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Total assets, by segment, at December 31 are as follows:

	2008	2007
Global components	$ 4,093,118	$ 5,230,728
Global ECS	2,325,095	2,262,946
Corporate	700,072	566,186
Consolidated	$ 7,118,285	$ 8,059,860

Effective April 1, 2008, deferred income taxes, which were previously included in corporate, were allocated to global components, global ECS, and corporate. Prior period segment data was adjusted to conform to current period presentation.

Sales, by geographic area, for the years ended December 31 are as follows:

	2008	2007	2006
North America (b)	$ 8,366,124	$ 8,565,247	$ 6,846,468
EMEASA	5,392,805	4,970,585	4,348,484
Asia/Pacific	3,002,080	2,449,160	2,382,160
	$ 16,761,009	$ 15,984,992	$ 13,577,112

(b) Includes sales related to the United States of $7,705,048, $7,962,526, and $6,337,169 in 2008, 2007, and 2006, respectively.

Net property, plant and equipment, geographic area, at December 31 is as follows:

	2008	2007
North America (c)	$ 324,385	$ 261,134
EMEASA	68,215	74,937
Asia/Pacific	17,940	19,090
	$ 410,540	$ 355,161

(c)

Includes net property, plant and equipment related to the United States of $323,561 and $259,948 in 2008 and 2007, respectively.

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17. Quarterly Financial Data (Unaudited)

A summary of the company s consolidated quarterly results of operations is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2008				
Sales	$4,028,491	$4,347,477	$4,295,314	$4,089,727
Gross profit	586,291	612,471	563,855	520,096
Net income (loss)	85,871(b)	96,215(c)	76,070(d)	(871,895)(e)
Net income (loss) per share (a):				
Basic	$ .70(b)	$ .79(c)	$ .64(d)	$ (7.30)(e)
Diluted	.69(b)	.79(c)	.63(d)	(7.30)(e)
2007				
Sales	$3,497,564	$4,038,083	$4,030,363	$4,418,982
Gross profit	539,631	578,970	552,557	614,119
Net income	96,294(f)	99,211(g)	98,324(h)	113,963(i)
Net income per share (a):				
Basic	$ .78(f)	$ .80(g)	$ .80(h)	$ .93(i)
Diluted	.77(f)	.79(g)	.79(h)	.92(i)

(a) Quarterly net income per share is calculated using the weighted average number of shares outstanding during each quarterly period, while net income per share for the full year is calculated using the weighted average number of shares outstanding during the year. Therefore, the sum of the net income per share for each of

the four quarters may not equal the net income per share for the full year.

(b) Includes a restructuring and integration charge ($4,159 net of related taxes or $.03 per share on both a basic and diluted basis) and a charge related to the preference claim from 2001 ($7,822 net of related taxes or $.06 per share on both a basic and diluted basis).

(c) Includes a restructuring and integration charge ($5,929 net of related taxes or $.05 per share on both a basic and diluted basis).

(d) Includes a restructuring and integration charge ($7,635 net of related taxes or $.06 per share on both a basic and diluted basis).

(e) Includes a non-cash impairment charge associated with

goodwill
($905,069 net of
related taxes or
$7.58 per share
on both a basic
and diluted
basis), a
restructuring
and integration
charge ($37,577
net of related
taxes or $.31 per
share on both a
basic and
diluted basis), a
credit related to
the preference
claim from 2001
($1,246 net of
related taxes or
$.01 per share
on both a basic
and diluted
basis), and a
loss on the
write-down of
an investment
($10,030 net of
related taxes or
$.08 per share
on both a basic
and diluted
basis). Also
includes a
reduction of the
provision for
income taxes
($8,450 net of
related taxes or
$.07 per share
on both a basic
and diluted
basis) and an
increase in
interest expense
($962 net of
related taxes or
$.01 per share
on both a basic
and diluted
basis) primarily

related to the settlement of certain international income tax matters.

(f) Includes a restructuring and integration credit ($4,522 net of related taxes or $.04 per share on both a basic and diluted basis).

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

(g) Includes a restructuring and integration charge ($2,286 net of related taxes or $.02 per share on both a basic and diluted basis).

(h) Includes a restructuring and integration charge ($2,674 net of related taxes or $.02 per share on both a basic and diluted basis) and an income tax benefit ($6,024 net of related taxes or $.05 per share on both a basic and diluted basis) principally due to a reduction in deferred income taxes as a result of the statutory tax rate change in Germany.

(i) Includes a restructuring and integration charge ($6,598 net of related taxes or $.05 per share on both a basic and diluted basis).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

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 December 31, 2008 (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 Exchange Act Rule 13a-15(e)) are effective.

Management s Report on Internal Control Over Financial Reporting

The company s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Management evaluates the effectiveness of the company s internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control Integrated Framework. Management, under the supervision and with the participation of the company s Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the company s internal control over financial reporting as of December 31, 2008, and concluded that it is effective.

The company acquired LOGIX S.A. (LOGIX) in June 2008 and the components distribution business of Achieva Ltd. (Achieva) in July 2008. The company has excluded LOGIX and Achieva from its annual assessment of and conclusion on the effectiveness of the company s internal control over financial reporting. LOGIX and Achieva accounted for 6.2 percent of total assets as of December 31, 2008 and 2.5 percent of the company s consolidated sales and less than 1 percent of the company s consolidated net loss for the year ended December 31, 2008.

The company s independent registered public accounting firm, Ernst & Young LLP, has audited the effectiveness of the company s internal control over financial reporting as of December 31, 2008, as stated in their report, which is included herein.

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Arrow Electronics, Inc.

We have audited Arrow Electronics, Inc. s (the company) internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The company s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management s Report on Internal Control Over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of LOGIX S.A. (LOGIX) and the components distribution business of Achieva Ltd. (Achieva) acquired by the company during 2008, which were included in the company s 2008 consolidated financial statements and constituted 6.2 percent of total assets as of December 31, 2008 and 2.5 and less than 1 percent of the sales and net loss, respectively, for the year then ended. Our audit of internal control over financial reporting of the company also did not include an evaluation of the internal control over financial reporting of LOGIX and Achieva.

In our opinion, Arrow Electronics, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria**.**

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Arrow Electronics, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2008 and our report dated February 24, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
New York, New York
February 24, 2009

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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.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

See Executive Officers in Part I of this annual report on Form 10-K. In addition, the information set forth under the headings Election of Directors and Section 16(A) Beneficial Ownership Reporting Compliance in the company s Proxy Statement, filed in connection with the Annual Meeting of Shareholders scheduled to be held on May 1, 2009, are incorporated herein by reference.

Information about the company s audit committee financial experts set forth under the heading The Board and its Committees in the company s Proxy Statement, filed in connection with the Annual Meeting of Shareholders scheduled to be held on May 1, 2009, is incorporated herein by reference.

Information about the company s code of ethics governing the Chief Executive Officer, Chief Financial Officer, and Corporate Controller, known as the Finance Code of Ethics, as well as a code of ethics governing all employees, known as the Worldwide Code of Business Conduct and Ethics, is available free-of-charge on the company s website at http://www.arrow.com and is available in print to any shareholder upon request.

Information about the company s Corporate Governance Guidelines and written committee charters for the company s Audit Committee, Compensation Committee, and Corporate Governance Committee is available free-of-charge on the company s website at http://www.arrow.com and is available in print to any shareholder upon request.

Item 11. Executive Compensation.

The information required by Item 11 is included in the company s Proxy Statement filed in connection with the Annual Meeting of Shareholders scheduled to be held on May 1, 2009, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 is included in the company s Proxy Statement filed in connection with the Annual Meeting of Shareholders scheduled to be held on May 1, 2009, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 13 is included in the company s Proxy Statement filed in connection with the Annual Meeting of Shareholders scheduled to be held on May 1, 2009, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by Item 14 is included in the company s Proxy Statement filed in connection with the Annual Meeting of Shareholders scheduled to be held on May 1, 2009, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

	Page
1. Financial Statements.	
Report of Ernst & Young LLP, Independent Registered Public Accounting Firm	43
Consolidated Statements of Operations for the years ended December 31, 2008, 2007, and 2006	44
Consolidated Balance Sheets as of December 31, 2008 and 2007	45
Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007, and 2006	46
Consolidated Statements of Shareholders Equity for the years ended December 31, 2008, 2007, and 2006	47
Notes to Consolidated Financial Statements	49
2. Financial Statement Schedule.	
Schedule II Valuation and Qualifying Accounts	99

All other schedules are omitted since the required information is notpresent, or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements, including the notes thereto.

3. Exhibits.

See Index of Exhibits included on pages 93 - 98

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INDEX OF EXHIBITS

Exhibit Number	Exhibit
2(a)	Share Purchase Agreement, dated as of August 7, 2000, among VEBA Electronics GmbH, EBV Verwaltungs GmbH i.L., Viterra Grundstucke Verwaltungs GmbH, VEBA Electronics LLC, VEBA Electronics Beteiligungs GmbH, VEBA Electronics (UK) Plc, Raab Karcher Electronics Systems Plc and E.ON AG and Arrow Electronics, Inc., Avnet, Inc., and Cherrybright Limited regarding the sale and purchase of the VEBA electronics distribution group (incorporated by reference to Exhibit 2(i) to the company s Annual Report on Form 10-K for the year ended December 31, 2000, Commission File No. 1-4482).
3(a)(i)	Restated Certificate of Incorporation of the company, as amended (incorporated by reference to Exhibit 3(a) to the company s Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-4482).
3(a)(ii)	Certificate of Amendment of the Certificate of Incorporation of Arrow Electronics, Inc., dated as of August 30, 1996 (incorporated by reference to Exhibit 3 to the company s Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, Commission File No. 1-4482).
3(a)(iii)	Certificate of Amendment of the Restated Certificate of Incorporation of the company, dated as of October 12, 2000 (incorporated by reference to Exhibit 3(a)(iii) to the company s Annual Report on Form 10-K for the year ended December 31, 2000, Commission File No. 1-4482).
3(b)	Amended Corporate By-Laws, dated July 29, 2004 (incorporated by reference to Exhibit 3(ii) to the company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, Commission File No. 1-4482).
4(a)(i)	Indenture, dated as of January 15, 1997, between the company and the Bank of Montreal Trust Company, as Trustee (incorporated by reference to Exhibit 4(b)(i) to the company s Annual Report on Form 10-K for the year ended December 31, 1996, Commission File No. 1-4482).
4(a)(ii)	Officers Certificate, as defined by the Indenture in 4(a)(i) above, dated as of January 22, 1997, with respect to the company s $200,000,000 7% Senior Notes due 2007 and $200,000,000 7 1/2% Senior Debentures due 2027 (incorporated by reference to Exhibit 4(b)(ii) to the company s Annual Report on Form 10-K for the year ended December 31, 1996, Commission File No. 1-4482).
4(a)(iii)	Officers Certificate, as defined by the indenture in 4(a)(i) above, dated as of January 15, 1997, with respect to the $200,000,000 6 7/8% Senior Debentures due 2018, dated as of May 29, 1998 (incorporated by reference to Exhibit 4(b)(iii) to the company s Annual Report on Form 10-K for the year ended December 31, 1998, Commission File No. 1-4482).
4(a)(iv)	Supplemental Indenture, dated as of February 21, 2001, between the company and The Bank of New York (as successor to the Bank of Montreal Trust Company), as trustee (incorporated by reference to Exhibit 4.2 to the company s Current Report on Form 8-K, dated March 12, 2001, Commission File No. 1-4482).

Exhibit Number	Exhibit
4(a)(v)	Supplemental Indenture, dated as of December 31, 2001, between the company and The Bank of New York (as successor to the Bank of Montreal Trust Company), as trustee (incorporated by reference to Exhibit 4(b)(vi) to the company s Annual Report on Form 10-K for the year ended December 31, 2001, Commission File No. 1-4482).
4(a)(vi)	Supplemental Indenture, dated as of March 11, 2005, between the company and The Bank of New York (as successor to the Bank of Montreal Trust Company), as trustee (incorporated by reference to Exhibit 4(b)(vii) to the company s Annual Report on Form 10-K for the year ended December 31, 2004, Commission File No. 1-4482).
10(a)	Arrow Electronics Savings Plan, as amended and restated on January 1, 2007 (incorporated by reference to Exhibit 10(a) to the company s Annual Report on Form 10-K for the year ended December 31, 2006, Commission File No. 1-4482).
10(b)	Wyle Electronics Retirement Plan, as amended and restated on March 17, 2003 (incorporated by reference to Exhibit 10(b) to the company s Annual Report on Form 10-K for the year ended December 31, 2003, Commission File No. 1-4482).
10(c)	Arrow Electronics Stock Ownership Plan, as amended and restated on January 1, 2007 (incorporated by reference to Exhibit 10(a) to the company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, Commission File No. 1-4482).
10(d)(i)	Arrow Electronics, Inc. 2004 Omnibus Incentive Plan as amended February 28, 2007 and February 27, 2008 (incorporated by reference to Exhibit 10.1 to the company s Current Report on Form 8-K, dated May 2, 2008, Commission File No. 1-4482).
10(d)(ii)	Form of Stock Option Award Agreement (Senior Management) under 10(d)(i) above (incorporated by reference to Exhibit 10-0 to the company s Current Report on Form 8-K, dated June 23, 2005, Commission File No. 1-4482).
10(d)(iii)	Form of Stock Option Award Agreement (Other) under 10(d)(i) above (incorporated by reference to Exhibit 10-1 to the company s Current Report on Form 8-K, dated June 23, 2005, Commission File No. 1-4482).
10(d)(iv)	Form of Stock Option Award Agreement under 10(d)(i) above (incorporated by reference to Exhibit 10-0 to the company s Current Report on Form 8-K, dated March 23, 2006, Commission File No. 1-4482).
10(d)(v)	Form of Performance Share Award Agreement under 10(d)(i) above (incorporated by reference to Exhibit 10-0 to the company s Current Report on Form 8-K, dated August 31, 2005, Commission File No. 1-4482).
10(d)(vi)	Form of Restricted Stock Award Agreement under 10(d)(i) above (incorporated by reference to Exhibit 10-0 to the company s Current Report on Form 8-K, dated September 14, 2005, Commission File No. 1-4482).

10(e)(i)	Arrow Electronics, Inc. Stock Option Plan, as amended and restated effective February 27, 2002 (incorporated by reference to Exhibit 10(d)(i) to the company s Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 1-4482).

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Exhibit Number	Exhibit
10(e)(ii)	Paying Agency Agreement, dated November 11, 2003, by and between Arrow Electronics, Inc. and Wachovia Bank, N.A. (incorporated by reference to Exhibit 10(d)(iii) to the company s Annual Report on Form 10-K for the year ended December 31, 2003, Commission File No. 1-4482).
10(f)	Restricted Stock Plan of Arrow Electronics, Inc., as amended and restated effective February 27, 2002 (incorporated by reference to Exhibit 10(e)(i) to the company s Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 1-4482).
10(g)	2002 Non-Employee Directors Stock Option Plan as of May 23, 2002 (incorporated by reference to Exhibit 10(f) to the company s Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 1-4482).
10(h)	Non-Employee Directors Deferral Plan as of May 15, 1997 (incorporated by reference to Exhibit 99(d) to the company s Registration Statement on Form S-8, Registration No. 333-45631).
10(i)	Arrow Electronics, Inc. Supplemental Executive Retirement Plan, as amended effective January 1, 2002 (incorporated by reference to Exhibit 10(h) to the company s Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 1-4482).
10(j)	Arrow Electronics, Inc. Executive Deferred Compensation Plan as of October 1, 2004 (incorporated by reference to Exhibit 10(j) to the company s Annual Report on Form 10-K for the year ended December 31, 2005, Commission File No. 1-4482).
10(k)(i)	Employment Agreement, dated as of December 30, 2008, by and between the company and Michael J. Long.
10(k)(ii)	Employment Agreement, dated as of December 30, 2008, by and between the company and Peter S. Brown.
10(k)(iii)	Employment Agreement, dated as of December 30, 2008, by and between the company and Paul J. Reilly.
10(k)(iv)	Employment Agreement, dated as of December 30, 2008, by and between the company and William E. Mitchell.
10(k)(v)	Amendment, dated as of March 16, 2005, to the Employment Agreement dated as of February 3, 2003, by and between the company and William E. Mitchell (incorporated by reference to Exhibit 10.1 to the company s Current Report on Form 8-K, dated March 18, 2005, Commission File No. 1-4482).
10(k)(vi)	Employment Agreement, dated as of December 30, 2008, by and between the company and John P. McMahon.

Exhibit Number	Exhibit
10(k)(vii)	Form of agreement between the company and all corporate officers, including the employees party to the Employment Agreements listed in 10(k)(i)-(vi) above, providing extended separation benefits under certain circumstances (incorporated by reference to Exhibit 10(c)(ix) to the company s Annual Report on Form 10-K for the year ended December 31, 1988, Commission File No. 1-4482).
10(k)(viii)	Form of agreement between the company and non-corporate officers providing extended separation benefits under certain circumstances (incorporated by reference to Exhibit 10(c)(x) to the company s Annual Report on Form 10-K for the year ended December 31, 1988, Commission File No. 1-4482).
10(k)(ix)	Grantor Trust Agreement, as amended and restated on November 11, 2003, by and between Arrow Electronics, Inc. and Wachovia Bank, N.A. (incorporated by reference to Exhibit 10(i)(xvii) to the company s Annual Report on Form 10-K for the year ended December 31, 2003, Commission File No. 1-4482).
10(k)(x)	First Amendment, dated September 17, 2004, to the amended and restated Grantor Trust Agreement in 10(k)(xii) above by and between Arrow Electronics, Inc. and Wachovia Bank, N.A. (incorporated by reference to Exhibit 10(a) to the company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, Commission File No. 1-4482).
10(l)(i)	9.15% Senior Exchange Notes due October 1, 2010, dated as of October 6, 2000, among Arrow Electronics, Inc. and Goldman, Sachs & Co.; Chase Securities Inc.; Morgan Stanley & Co. Incorporated; Bank of America Securities LLC; Donaldson, Lufkin & Jenrette Securities Corporation; BNY Capital Markets, Inc.; Credit Suisse First Boston Corporation; Deutsche Bank Securities Inc.; Fleet Securities, Inc.; and HSBC Securities (USA) Inc., as underwriters (incorporated by reference to Exhibit 4.4 to the company s Registration Statement on Form S-4, Registration No. 333-51100).
10(l)(ii)	6.875% Senior Exchange Notes due 2013, dated as of June 25, 2003, among Arrow Electronics, Inc. and Goldman, Sachs & Co.; JPMorgan; and Bank of America Securities LLC, as joint book-running managers; Credit Suisse First Boston, as lead manager; and Fleet Securities, Inc.; HSBC, Scotia Capital; and Wachovia Securities, as co-managers (incorporated by reference to Exhibit 99.1 to the company s Current Report on Form 8-K dated June 25, 2003, Commission File No. 1-4482).
10(m)	Amended and Restated Five Year Credit Agreement, dated as of January 11, 2007, among Arrow Electronics, Inc. and certain of its subsidiaries, as borrowers, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and Bank of America, N.A., The Bank of Nova Scotia, BNP Paribas and Wachovia Bank National Association, as syndication agents (incorporated by reference to Exhibit 10(n) to the company s Annual Report on Form 10-K for the year ended December 31, 2006, Commission File No. 1-4482).
10(n)(i)	Transfer and Administration Agreement, dated as of March 21, 2001, by and among Arrow Electronics Funding Corporation, Arrow Electronics, Inc., individually and as Master Servicer, the several Conduit Investors, Alternate Investors and Funding Agents and Bank of America, National Association, as administrative agent (incorporated by reference to Exhibit 10(m)(i) to the company s Annual Report on Form 10-K for the year ended December 31, 2001, Commission File No. 1-4482).

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Exhibit Number	Exhibit
10(n)(ii)	Amendment No. 1 to the Transfer and Administration Agreement, dated as of November 30, 2001, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(m)(ii) to the company s Annual Report on Form 10-K for the year ended December 31, 2001, Commission File No. 1-4482).
10(n)(iii)	Amendment No. 2 to the Transfer and Administration Agreement, dated as of December 14, 2001, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(m)(iii) to the company s Annual Report on Form 10-K for the year ended December 31, 2001, Commission File No. 1-4482).
10(n)(iv)	Amendment No. 3 to the Transfer and Administration Agreement, dated as of March 20, 2002, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(m)(iv) to the company s Annual Report on Form 10-K for the year ended December 31, 2001, Commission File No. 1-4482).
10(n)(v)	Amendment No. 4 to the Transfer and Administration Agreement, dated as of March 29, 2002, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(n)(v) to the company s Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 1-4482).
10(n)(vi)	Amendment No. 5 to the Transfer and Administration Agreement, dated as of May 22, 2002, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(n)(vi) to the company s Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 1-4482).
10(n)(vii)	Amendment No. 6 to the Transfer and Administration Agreement, dated as of September 27, 2002, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(n)(vii) to the company s Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 1-4482).
10(n)(viii)	Amendment No. 7 to the Transfer and Administration Agreement, dated as of February 19, 2003, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 99.1 to the company s Current Report on Form 8-K dated February 6, 2003, Commission File No. 1-4482).
10(n)(ix)	Amendment No. 8 to the Transfer and Administration Agreement, dated as of April 14, 2003, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(n)(ix) to the company s Annual Report on Form 10-K for the year ended December 31, 2003, Commission File No. 1-4482).
10(n)(x)	Amendment No. 9 to the Transfer and Administration Agreement, dated as of August 13, 2003, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(n)(x) to the company s Annual Report on Form 10-K for the year ended December 31, 2003, Commission File No. 1-4482).
10(n)(xi)	Amendment No. 10 to the Transfer and Administration Agreement, dated as of February 18, 2004, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to

Exhibit 10(n)(xi) to the company s Annual Report on Form 10-K for the year ended December 31, 2003, Commission File No. 1-4482).

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Exhibit Number	Exhibit
10(n)(xii)	Amendment No. 11 to the Transfer and Administration Agreement, dated as of August 13, 2004, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(b) to the company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, Commission File No. 1-4482).
10(n)(xiii)	Amendment No. 12 to the Transfer and Administration Agreement, dated as of February 14, 2005, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(o)(xiii) to the company s Annual Report on Form 10-K for the year ended December 31, 2004, Commission File No. 1-4482).
10(n)(xiv)	Amendment No. 13 to the Transfer and Administration Agreement, dated as of February 13, 2006, to the Transfer and Administration Agreement in (10)(n)(i) above (incorporated by reference to Exhibit 10(o)(xiv) to the company s Annual Report on Form 10-K for the year ended December 31, 2005, Commission File No. 1-4482).
10(n)(xv)	Amendment No. 14 to the Transfer and Administration Agreement, dated as of October 31, 2006, to the Transfer and Administration Agreement in 10(n)(i) above (incorporated by reference to Exhibit 10(o)(xv) to the company s Annual Report on Form 10-K for the year ended December 31, 2006, Commission File No. 1-4482).
10(n)(xvi)	Amendment No. 15 to the Transfer and Administration Agreement, dated as of February 12, 2007, to the Transfer and Administration Agreement in 10(n)(i) above (incorporated by reference to Exhibit 10(o)(xvi) to the company s Annual Report on Form 10-K for the year ended December 31, 2006, Commission File No. 1-4482).
10(n)(xvii)	Amendment No. 16 to the Transfer and Administration Agreement, dated as of March 27, 2007, to the Transfer and Administration Agreement in 10(n)(i) above (incorporated by reference to Exhibit 10(b) to the company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, Commission File No. 1-4482).
10(o)	Form of Indemnification Agreement between the company and each director (incorporated by reference to Exhibit 10(g) to the company s Annual Report on Form 10-K for the year ended December 31, 1986, Commission File No. 1-4482).
21	Subsidiary Listing.
23	Consent of Independent Registered Public Accounting Firm.
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 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32(ii)	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.

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ARROW ELECTRONICS, INC.
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

For the three years ended December 31,	Balance at beginning of year	Charged to income	Other(a)	Write-down	Balance at end of year
Allowance for doubtful accounts					
2008	$ 71,232	$ 14,866	$ 7,787	$ 41,099	$ 52,786
2007	$ 75,404	$ 14,211	$ 1,372	$ 19,755	$ 71,232
2006	$ 47,076	$ 13,023	$ 26,179	$ 10,874	$ 75,404

(a) Represents the allowance for doubtful accounts of the businesses acquired by the company during 2008, 2007, and 2006.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ Peter S. Brown

Peter S. Brown
Senior Vice President, General Counsel, and Secretary
February 26, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 26, 2009:

By: /s/ William E. Mitchell

William E. Mitchell, Chairman and
Chief Executive Officer

By: /s/ Paul J. Reilly

Paul J. Reilly, Senior Vice President and
Chief Financial Officer

By: /s/ Michael A. Sauro

Michael A. Sauro, Vice President and
Corporate Controller

By: /s/ Daniel W. Duval

Daniel W. Duval, Lead Director

By: /s/ Gail E. Hamilton

Gail E. Hamilton, Director

By: /s/ John N. Hanson

John N. Hanson, Director

By: /s/ Richard S. Hill

Richard S. Hill, Director

By: /s/ Fran Keeth

Fran Keeth, Director

By: /s/ Roger King

Roger King, Director

By: /s/ Michael J. Long

Michael J. Long, Director, President and
Chief Operating Officer

By: /s/ Karen Gordon Mills

Karen Gordon Mills, Director

By: /s/ Stephen C. Patrick

Stephen C. Patrick, Director

By: /s/ Barry W. Perry

Barry W. Perry, Director

By: /s/ John C. Waddell

John C. Waddell, Director

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