

ARROW ELECTRONICS INC

Form DEF 14A

March 19, 2008

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

**SCHEDULE 14A
(Rule 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use
of the Commission
Only (as permitted by
Rule 14a-6(e)(2))

Definitive Proxy
Statement

Definitive Additional
Materials

Soliciting Material
Pursuant to
Section 240.14a-11(c)
or Section 240.14a-2.

ARROW ELECTRONICS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-12.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
(Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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William E. Mitchell
Chairman of the Board

March 19, 2008

Dear Shareholder:

You are invited to Arrow's Annual Meeting of Shareholders, on Friday, May 2, 2008, at the Grand Hyatt New York, 109 East 42nd Street, New York, New York at 11:00 a.m. The formal notice of the meeting and the proxy statement soliciting your vote at the meeting appear on the following pages.

The three matters being put to a vote at the meeting are the election of directors, a proposal to ratify the appointment of our independent registered public accounting firm, and a proposal to authorize an increase in the number of shares which can be issued under the company's Omnibus Incentive Plan. These matters are discussed more fully in the proxy statement.

Arrow's Board of Directors recommends the approval of the proposals as being in the best interests of Arrow, and urges you to read the proxy statement carefully before you vote. Your vote is important, regardless of the number of shares you own.

Under the rules recently adopted by the Securities and Exchange Commission, we are now furnishing proxy materials to our shareholders online, rather than mailing printed copies of those materials to each shareholder. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one. The Notice includes instructions on how to access and review the materials, and how to access your proxy card and vote, online. If you received the Notice and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice.

Please make sure you vote whether or not you plan to attend the meeting. You can cast your vote at the meeting, by mailing your proxy card in the postage-paid return envelope, by telephone or online by following the instructions on either the proxy card or the Notice of Internet Availability.

Sincerely yours,

William E. Mitchell
Chairman of the Board

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**ARROW ELECTRONICS, INC.
50 Marcus Drive
Melville, New York 11747**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TIME AND DATE

11:00 a.m. on Friday, May 2, 2008

PLACE

Grand Hyatt New York
109 East 42nd Street
New York, New York 10017

ITEMS OF BUSINESS

The annual meeting will be held:

1. To elect directors of Arrow for the ensuing year.
2. To act upon a proposal to ratify the appointment of Ernst & Young LLP as Arrow's independent registered public accounting firm for the fiscal year ending December 31, 2008.
3. To approve an amendment to the Arrow Electronics, Inc. 2004 Omnibus Incentive Plan to increase the aggregate number of shares of Arrow common stock available for issuance to plan participants.

RECORD DATE

Only shareholders of record at the close of business on March 12, 2008 are entitled to notice of and to vote at the meeting or any adjournments thereof.

PROXY MATERIALS AND ANNUAL REPORT

Shareholders who have received a Notice of Internet Availability of Proxy Materials by mail will receive a printed copy of the proxy materials and our annual report only upon request. The Notice of Internet Availability has instructions for access to and review of our proxy materials online, as well as instructions for online voting.

Arrow's 2007 Annual Report (which is not a part of the proxy soliciting material), and this proxy statement were made available through www.proxyvote.com on or about March 19, 2008, and are also available at the Investor Relations section of the company's website at www.arrow.com.

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PROXY VOTING

Shareholders can vote by completing and returning the proxy card, online, by telephone, or by attending the meeting. The Notice of Internet Availability and the proxy card itself have detailed instructions for voting.

Shareholders may revoke a proxy (change or withdraw the vote) at any time prior to its exercise at the meeting by following the instructions in the proxy statement.

By Order of the Board of Directors

Peter S. Brown
Secretary

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**ARROW ELECTRONICS, INC.
ANNUAL MEETING OF SHAREHOLDERS**

To be Held May 2, 2008

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**ARROW ELECTRONICS, INC.
50 Marcus Drive
Melville, New York 11747**

**PROXY STATEMENT
in connection with the
2008 Annual Meeting of Shareholders**

The Purpose of this Statement

The Board of Directors of Arrow Electronics, Inc., a New York corporation (Arrow or the company), is furnishing this proxy statement to all shareholders of record to solicit proxies to be voted at the 2008 Annual Meeting of Shareholders, and any adjournments of the meeting. By returning the completed proxy card, or voting over the telephone or internet, you are giving instructions on how your shares are to be voted at the Annual Meeting.

Invitation to the Annual Meeting

You are invited to attend the 2008 Annual Meeting of Shareholders on Friday, May 2, 2008, beginning at 11:00 a.m. The meeting will be held at the Grand Hyatt New York, 109 East 42nd Street, New York, New York 10017.

Voting Instructions

Please complete, sign, and date your proxy card and return it promptly in the postage-paid return envelope provided, or vote your shares by telephone or through the internet. Whether or not you plan to attend the meeting, your prompt response will assure a quorum and reduce solicitation expense.

Shareholders Entitled to Vote

Only shareholders of Arrow s common stock at the close of business on March 12, 2008 (the record date) are entitled to notice of and to vote at the meeting or any adjournments thereof. As of the record date, there were 125,068,705 shares of Arrow common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the meeting.

Table of Contents**Revocation of Proxies**

The person giving the proxy may revoke it at any time prior to the time it is voted at the meeting by giving written notice to Arrow's Secretary. If the proxy was given by telephone or through the internet, it may be revoked in the same manner. You may also revoke your proxy by attending the Annual Meeting and voting in person, though merely attending the Annual Meeting will not automatically revoke your proxy.

Cost of Proxy Solicitation

Arrow pays the cost of soliciting proxies. Arrow has retained D.F. King & Co., Inc. to assist in soliciting proxies at an anticipated cost of \$10,500 plus expenses. Arrow may also request brokers and other nominees holding Arrow common stock to forward soliciting materials to the beneficial owners of that stock and will reimburse them for their expenses in so doing.

CERTAIN SHAREHOLDERS**Holders of More than 5% of Common Stock**

The following table sets forth certain information with respect to the only shareholders known to management to own beneficially more than 5% of the outstanding common stock of Arrow as of March 12, 2008.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
FMR LLC (1) 82 Devonshire Street Boston, Massachusetts 02109	15,740,742	12.6%
Mutuelles AXA (2) 26, rue Drouot 75009 Paris, France	13,159,936	10.5%
Wellington Management Company, LLP (3) 75 State Street Boston, Massachusetts 02109	12,050,344	9.6%
JPMorgan Chase & Co. (4) 270 Park Avenue New York, New York 10017	6,633,795	5.3%

(1) Based upon a Schedule 13G filed with the Securities and Exchange Commission (the SEC) on February 14, 2008 which reflects sole voting power with respect to 1,661,225 shares and sole

dispositive
power with
respect to
15,740,742
shares
beneficially
owned by FMR
LLC, a parent
holding
company.

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(2) Based upon a Schedule 13G filed with the S E C o n February 14, 2008 by AXA Assurances I . A . R . D . Mutuelle, AXA Assurances Vie Mutuelle and AXA Courtage Assurance Mutuelle, collectively, Mutuelles AXA (i n s u r a n c e companies), AXA and AXA Financial, Inc. (parent holding companies) which reflects sole dispositive power with respect to 13,159,936 shares, sole voting power with respect to 8,827,724 shares, and shared voting power with respect to 293,480 shares beneficially owned by Mutuelles AXA. Of such shares, 9,275,148 are beneficially owned by Alliance Bernstein L.P., an indirect subsidiary of Mutuelles AXA, acquired solely

for investment purposes on behalf of client discretionary investment advisory accounts. Additionally, 3,100 shares are held by AXA Equitable Life Insurance Company, an indirect subsidiary of Mutuelles AXA, 3,858,129 shares are held by AXA Rosenberg Investment Management LLC, an AXA entity, 12,500 shares are held by Winterhur, an AXA entity, 8,900 shares are held by AXA Konzern AG (Germany), an AXA entity, and 2,159 shares are held by AXA Investment Managers Paris (France), an AXA entity, solely for investment purposes.

- (3) Based upon a Schedule 13G filed with the SEC on February 14, 2008 which reflects shared voting power with respect to

3,474,102 shares and shared dispositive power with respect to 11,993,944 shares beneficially owned by Wellington Management Company, LLP, a registered investment adviser. The shares beneficially owned by Wellington Management Company, LLP include shares beneficially owned by Vanguard Windsor Funds Vanguard Windsor Fund, a registered investment company, which has sole voting power with respect to all such shares. Based upon a Schedule 13G filed with the SEC on February 27, 2008, Vanguard Windsor Funds beneficially owns a total of 8,642,867 or 6.9% of the company's outstanding common stock.

- (4) Based upon a Schedule 13G filed with the SEC on February 1, 2008 which reflects sole dispositive power with respect to 5,876,346 shares, shared dispositive power with respect to 752,373 shares, sole voting power with respect to 5,451,961 shares, and shared voting power with respect to 765,340 shares beneficially owned by JPMorgan Chase & Co., a parent holding company.

Shareholding of Executive Officers and Directors

As of March 12, 2008, all of the executive officers and directors of Arrow as a group were the beneficial owners of 3,511,475 shares of the company's common stock, which is 2.8% of the total shares of common stock outstanding. This amount includes 2,484,484 shares, (2.0% of the company's outstanding common stock) held by the Arrow Electronics Employee Stock Ownership Plan (the ESOP) of which William E. Mitchell, Peter S. Brown and Paul J. Reilly are the trustees. As trustees, they have shared power to vote the shares held by the ESOP, and for that reason are deemed to be beneficial owners of them under SEC regulations. The ESOP total also includes shares allocated to the individual accounts of each of the trustees.

As of March 12, 2008, the named executive officers (the Chief Executive Officer, the Chief Financial Officer and each of the other three most highly compensated executive officers of the company) and directors had beneficial ownership of the company's common stock as follows:

Table of Contents**Shares of Common Stock Beneficially Owned**

	Currently Owned (1)	Common Stock Units (2)	Acquirable w/in 60 Days	% of Outstanding Common Stock
William E. Mitchell	2,914,479(3)			2.3%
Paul J. Reilly	2,624,327(3)			2.1%
Michael J. Long	72,167			*
Peter S. Brown	2,516,902(3)			2.0%
M. Catherine Morris	17,475			*
Daniel W. Duval	46,200	16,256		*
Gail E. Hamilton				*
John N. Hanson	23,500	14,287		*
Richard S. Hill		5,592		*
M.F. (Fran) Keeth		8,630		*
Roger King	26,000	14,580		*
Karen Gordon Mills	26,600	23,080		*
Stephen C. Patrick	15,000	12,551		*
Barry W. Perry	35,000	13,600		*
John C. Waddell	31,576	6,290		*
Total Executive Officers and Director s Beneficial Ownership	3,390,859(3)	114,866	5,750	2.8%

* Represents holdings of less than 1%.

(1) Includes vested stock options, restricted shares granted, shares held by the ESOP and shares owned independently.

(2) Includes common stock units deferred by non-employee directors and restricted stock units granted to them under the Arrow Electronics, Inc. 2004 Omnibus Incentive Plan (the Omnibus

Incentive Plan).

- (3) I n c l u d e s
2,484,484 shares
h e l d b y t h e
ESOP, of which
Messrs. Mitchell,
Reilly and Brown
are trustees. Each
trustee is deemed
a b e n e f i c i a l
owner of all of
t h e s h a r e s ,
however the total
number of shares
s h o w n a s
b e n e f i c i a l l y
owned by all of
the directors and
executive officers
a s a g r o u p
i n c l u d e s s u c h
shares only once.

Michael J. Long was appointed Arrow's President and Chief Operating Officer, and a member of the Board of Directors in February 2008. His biography follows under Proposal 1, Election of Directors.

PROPOSAL 1: ELECTION OF DIRECTORS

Each member of the Board of Directors of Arrow (the Board) is to be elected at the meeting to hold office until the next Annual Meeting of Shareholders and until his or her successor has been duly elected and qualified. By resolution of all the current directors, the Board will consist of twelve directors unless and until that number is changed by a resolution of the then current Board. Shareholder proxies solicited under this proxy statement cannot be voted for more than twelve directors.

The Board of Directors recommends a vote for all of the nominees.

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Nominees receiving a plurality of votes cast at the meeting will be elected directors. Consequently, any shares not voted (whether by abstention or broker non-votes) have no effect on the election of directors.

Management does not contemplate that any of the nominees will be unable or unwilling to serve as a director, but should that happen prior to the voting of the proxies, the persons named in the accompanying proxy reserve the right to substitute another person of their choice when voting at the meeting.

All of the nominees are currently directors of Arrow and were elected at Arrow's last annual meeting, except for Ms. Hamilton and Mr. Long, who were appointed to the Board in February 2008.

Following are the biographies of the twelve nominees:

Daniel W. Duval, 71, director since 1987

Mr. Duval has been Lead Director of Arrow since May 2006. He was Chairman of the Board from June 2002 to May 2006. He also served as Arrow's interim Chief Executive Officer from September 2002 to February 2003. He served as interim President and Chief Executive Officer of Robbins & Myers, Inc., a manufacturer of fluids management systems, from December 2003 through July 2004. Mr. Duval is a director of Robbins & Myers, Inc., The Manitowoc Company, Inc., Miller-Valentine Group and Gosiger, Inc.

Gail E. Hamilton, 57, director since 2008

Ms. Hamilton was Executive Vice President of Symantec, an infrastructure software and services provider, for five years prior to January 2005. Previously, she served as the General Manager of the Communications Division of Compaq Computers and as the General Manager of the Telecom Platform Division for Hewlett-Packard Company. She is a director of OpenText Corp., Ixia, and Surgient, Inc.

John N. Hanson, 66, director since 1997

Mr. Hanson has been Non-Executive Chairman of the Board of Joy Global, Inc., a manufacturer of mining equipment for both underground and surface applications, since February 2007. He was Chairman, Chief Executive Officer and President of Joy Global Inc. for more than five years prior thereto. He is a director of the Milwaukee Symphony Orchestra and Chairman of the American Coal Foundation.

Richard S. Hill, 56, director since 2006

Mr. Hill has been Chief Executive Officer and Chairman of the Board of Novellus Systems, Inc., a maker of devices used in the manufacture of advanced integrated circuits, for more than five years. He is a director of LSI Corporation and the University of Illinois Foundation.

M.F. (Fran) Keeth, 61, director since 2004

Mrs. Keeth is retired. She was Executive Vice President of Royal Dutch Shell, plc, and CEO and President of Shell Chemicals Limited, a services company responsible for Royal Dutch Shell's global petrochemical businesses, from January 2005 to December 2006. She served as Executive Vice President of Customer Fulfillment and Product Business Units for

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Shell Chemicals Limited from July 2001 to January 2005 and was President and Chief Executive Officer of Shell Chemical LP, a U.S. petrochemical member of the Royal Dutch/ShellGroup, from July 2001 to July 2006. Mrs. Keeth also serves as a director of Verizon Communications Inc.

Roger King, 67, director since 1995

Mr. King is retired from business. He served as Chief Executive Officer of Sa Sa International Holdings Limited, a retailer of cosmetics, from 1999 until 2002. He is currently an Adjunct Professor in Finance at Hong Kong University of Science and Technology. He also serves as a director of Orient Overseas (International) Limited, Sincere Watch (Hong Kong) Limited and TNT N.V., companies listed on the Hong Kong Stock Exchange and the Euronext Amsterdam, respectively.

Michael J. Long, 49, director since 2008

Mr. Long was appointed President and Chief Operating Officer of Arrow in February 2008. He served as Senior Vice President of the company from January 2006 to February 2008, and, prior thereto, he served as Vice President of the company for more than five years. He was appointed President, Arrow Global Components in September 2006. Prior thereto, he served as President, North America and Asia/Pacific Components from January 2006 until September 2006; President, North America from May 2005 to December 2005; and President and Chief Operating Officer of Arrow Enterprise Computing Solutions from July 1999 to April 2005. He also serves as a director of AmerisourceBergen Corporation.

Karen Gordon Mills, 54, director since 1994

Ms. Mills has served as President of MMP Group, a private equity investor and advisor since 1993. From 1999 to 2007 she was a founding partner and a managing director of Solera Capital, a New York based venture capital firm. She is currently the Lead Director of Scotts Miracle-Gro, a public company. Ms. Mills is the Chair of the Governor's Council on Competitiveness and the Economy of the state of Maine and serves on the Board of the Maine Technology Institute. She is also a director of the Maine Chapter of the Nature Conservancy.

William E. Mitchell, 64, director since 2003

Mr. Mitchell has been Chief Executive Officer of Arrow since February 2003, and was also President of the company from February 2003 to February 2008. He has been Chairman of the Board of Arrow since May 2006. Mr. Mitchell also serves as a director of Brown-Forman Corporation.

Stephen C. Patrick, 58, director since 2003

Mr. Patrick has served as the Chief Financial Officer of the Colgate-Palmolive Company, a global consumer products company, for more than five years. In his more than 20 years at Colgate-Palmolive he has also held positions as Vice President, Corporate Controller and Vice President of Finance for Colgate Latin America.

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Barry W. Perry, 61, director since 1999

Mr. Perry was Chief Executive Officer and Chairman of the Board of Engelhard Corporation, a surface and materials science company, for more than five years prior to his retirement in June 2006. Mr. Perry is also a director of the Cookson Group plc and Ashland Inc.

John C. Waddell, 70, director since 1969

Mr. Waddell retired as the Chairman of the Board of Arrow in May 1994 and since that time has served as the Vice Chairman.

THE BOARD AND ITS COMMITTEES

The Board meets in general sessions with Chairman Mitchell presiding, in meetings limited to non-management directors, which are led by Lead Director Duval, and in its various committees. Committee meetings are open to all members of the Board. Committee memberships and chair assignments are reviewed annually by the Corporate Governance Committee.

The table below reflects the various positions held by Board members during calendar year 2007. The table and the discussion that follows generally exclude Ms. Hamilton and Mr. Long, who were appointed to the Board in February 2008.

Audit		Compensation			Corporate Governance		
Jan 2007	May 2007	May 2007	Dec 2007	Jan 2007	May 2007	May 2007	May 2007

5

5

5

5

5

5

**5 Chair Member
Committees**

The **audit committee** reviews and evaluates Arrow's financial reporting process and other matters including its accounting policies, reporting practices, and internal accounting controls. The committee also monitors the scope and reviews the results of the audit conducted by Arrow's independent registered public accounting firm. The committee reviews with the internal audit department the status and results of the annual internal audit plan, assessments of the

adequacy and effectiveness of internal controls, and the sufficiency of the department's resources. The Board has determined that Mr. Patrick is an audit committee financial expert as defined by the SEC. In light of the possibility that Mr. Patrick might at some time be unable to attend a meeting of the committee, the Board has also determined that Mrs. Keeth qualifies as an audit committee financial expert.

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The **compensation committee** is responsible for developing and reviewing Arrow's executive compensation philosophy. It implements that philosophy through compensation programs and plans designed to further Arrow strategy, drive long-term profitable growth and increase shareholder value. The committee reviews and approves the corporate goals and objectives relevant to executive compensation, and, subject to review and ratification by the other independent members of the Board, reviews and approves the base salary, annual incentives, performance and stock-based awards and retirement and other benefits for the Chief Executive Officer and the company's other principal executives.

Compensation committee meetings are regularly attended by the company's Chief Executive Officer, the General Counsel (who also serves as secretary), the Senior Vice President of Human Resources, and, as required, the Chief Financial Officer. Each of the management attendees provides the committee with his or her specific expertise and the business and financial context necessary to understand and properly target financial and performance metrics. None of the members of management has, or is delegated, any decision-making authority as to the compensation of the company's executive officers, and none of the management invitees are present during the committee's deliberations regarding their compensation.

The committee meets regularly to review and manage compensation, review executive-level hiring, retention, and termination arrangements, and a number of related issues. In 2007, these included:

Approving the prior year (2006) bonuses, performance share awards and equity grants;

setting the Employee Share Ownership Plan (the ESOP) share pool;

reviewing and approving all compensation plan metrics, goals and targets, and Chief Executive Officer non-financial incentive goals for 2007;

reviewing the annual report on the performance of the company's Pension Investment and Oversight Committee;

reviewing the committee's charter;

reviewing the Compensation Discussion and Analysis regarding 2006 and confirming the committee's Report to Shareholders;

receiving advice concerning legislative developments regarding compensation;

reviewing the performance of the compensation consultant; and

conducting the annual committee self-assessment.

The committee's consideration of the performance and compensation of the Chief Executive Officer is conducted in executive session. The committee reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation and evaluates the Chief Executive Officer's performance and the performance of the company itself in light of those goals and objectives.

Under its charter, the committee may delegate its authority to a subcommittee consisting of one or more members.

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In 2007, the committee directly engaged Pearl Meyer & Partners as a consultant to examine and report exclusively to the committee on best practices in the alignment of compensation programs for the Chief Executive Officer and other members of senior management with corporate goals by providing competitive and benchmarking data, analyses, and recommendations with regard to plan design and target compensation. Pearl Meyer & Partners does not provide any other services to the company.

Prior to the retention of Pearl Meyer & Partners, the committee had directly engaged Hewitt Associates as its executive compensation consultant to report exclusively to the committee on such matters. It acted in that capacity with respect to 2007 compensation until the engagement of Pearl Meyer & Partners. Hewitt Associates also provided, and continues to provide, services to management, and not the committee, unrelated to executive compensation, including health care benefits consulting and administrative and actuarial support for certain company benefit plans.

The committee operates under the Compensation Committee Charter, a copy of which is available at the investor relations section of the company's website, www.arrow.com.

The **corporate governance committee** has primary responsibility for developing the corporate governance guidelines for Arrow and for making recommendations with respect to committee assignments and other governance issues. The committee regularly reviews and makes recommendations to the Board regarding the compensation of non-employee directors.

The committee will consider shareholder recommendations of nominees for membership on the Board as well as those recommended by current directors, company officers, employees, shareholders, and others. Such recommendations may be submitted to Arrow's Secretary, Peter S. Brown, at Arrow Electronics, Inc., 50 Marcus Drive, Melville, New York, 11747, who will forward them to the committee. The committee's expectations as to the specific qualities and skills required for directors are set forth in Section 4 of Arrow's corporate governance guidelines (available at the investor relations section of the company's website, www.arrow.com.)

The committee's initial review of the potential candidate is typically based on any written materials provided to the committee. In connection with the evaluation of potential nominees, the committee determines whether to interview the nominee, and if warranted, the committee, the Chairman of the Board and Chief Executive Officer, the Lead Director and others as appropriate, interview the potential nominees. The committee has retained the services of a third-party executive recruitment firm to assist committee members in the identification and evaluation of potential nominees for the Board.

Independence

The company's corporate governance guidelines provide that the Board should consist primarily of independent, non-management directors. For a director to be considered independent under the guidelines, the Board must determine that the director does not have any direct or indirect material relationship with the company and that he or she is not involved in any activity or interest that might appear to conflict with his or her fiduciary duties to the company.

To be deemed independent, a director must also meet the independence standards in the New York Stock Exchange listing rules, which require that neither such a director nor any member of his or her immediate family:

- i) is, or has been within the last three years, an officer or employee of the company;
- ii) received more than \$100,000 from the company (except for director or committee fees) during any twelve-month period in the last three years;

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- iii) is employed by or a partner in the company's independent registered public accounting firm (or, if a former employee or partner, has worked on the audit of the company within the past three years);
- iv) is or has been at any time in the last three years, an executive officer of another company where any of Arrow's executive officers serves as a member of such other company's board of directors and compensation committee; and
- v) is an employee (or, in the case of a family member, an executive officer) of a company which has made payments to or received payment from Arrow in excess of the larger of \$1 million or 2% of such other company's consolidated gross revenues in any of the last three fiscal years.

In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making an independence determination. In making this determination regarding Mr. Hill, the Board considered that Mr. Hill is an independent director of LSI Corporation, a semiconductor manufacturer for which the company is an authorized distributor. In 2007, the company purchased approximately \$100,000,000 of LSI products worldwide, an amount equal to approximately 3.8% of LSI's total sales. In addition to the immateriality of the amount of company sales involved, the Board determined that this relationship did not impair Mr. Hill's independence because he is an independent director of LSI, and receives compensation from LSI only in connection with his services as such. In addition, Novellus Systems, Inc., of which Mr. Hill is Chairman and Chief Executive Officer, purchased less than \$50,000 of product from Arrow in 2007.

The Board has determined that all of its directors and nominees, other than Mr. Mitchell and Mr. Long, satisfy both the New York Stock Exchange's independence requirements and the company's guidelines.

As required by the company's corporate governance guidelines and the New York Stock Exchange's listing rules, all members of the audit, compensation and corporate governance committees are independent, non-management directors.

No member of the compensation committee is a present or former employee of the company, except for Mr. Duval, who served as interim Chief Executive Officer from September 2002 to February 2003, and Mr. Waddell, who served as Chief Executive Officer of the company until December 1986 and Executive Chairman of the company until May 1994. Under the rules of the New York Stock Exchange, neither Mr. Duval's interim service nor Mr. Waddell's prior service alter their respective status as independent, non-management directors. No member of the compensation committee is an employee or director of any company where any employee or director of Arrow serves on the compensation committee.

All members of the audit committee also satisfy an additional SEC independence requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from Arrow or any of its subsidiaries other than their directors' compensation.

Meetings and Attendance

In general, it is the practice of the Board for all of its non-management directors to meet in executive session at each Board meeting, with the Lead Director presiding. Consistent with Arrow's corporate governance guidelines, in 2007 these non-management director meetings included one under the guidance of the Chair of the compensation committee to evaluate the performance of the Chief Executive Officer and one under the guidance of the Chair of the corporate governance committee to discuss senior management development and succession.

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During 2007 there were 9 meetings of the Board, 9 meetings of the audit committee, 10 meetings of the compensation committee, and 3 meetings of the corporate governance committee. All directors attended 75% or more of all of the meetings of the Board and the committees on which they served. It is the policy of the Board that all of its members attend the Annual Meeting of Shareholders absent exceptional cause, and all the members of the Board did so in 2007 but for one member who was absent as a result of a family medical matter.

Director Compensation

The following table shows the total dollar value of compensation received by all non-employee directors in or in respect of 2007 and the expense recorded by the company in connection with the vesting during 2007 of stock-based compensation.

Non-Employee Director Compensation

Name	Fees Earned	Stock	Change in	Total
	or	Awards	Pension	
	Paid in Cash		Value and	
	(\$)	(\$)(1)	NQDC	(\$)
			Earnings	
			(\$)(2)	
Daniel W. Duval	98,000	165,313		263,313
Gail E. Hamilton				