HOST HOTELS & RESORTS, INC.
Form 4
October 17, 2014

FORM 4

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

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

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person [*]
BAGLIVO MARY

(Last) (First) (Middle)

6903 ROCKLEDGE DRIVE, SUITE 1500

(Street)

BETHESDA, MD 20817

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HOST HOTELS & RESORTS, INC. [HST]

3. Date of Earliest Transaction (Month/Day/Year)
10/15/2014

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

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			
Restricted-Annual Director Stock Award	10/15/2014		J [(1)]		48.6711	A	$ 20.58	5,056.9284	D	
Common Stock								5,358.807	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 of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BAGLIVO MARY 6903 ROCKLEDGE DRIVE SUITE 1500 BETHESDA, MD 20817	X			

Signatures

By: Elizabeth A. Abdoo For: Mary L. Baglivo	10/17/2014
**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) Pursuant to the Non-Employee Directors' Deferred Stock Compensation Plan, reporting person is required to reinvest cash dividends in shares of additional Host Hotels & Resort's common stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. style="vertical-align:bottom;">

Gain on sale of investment
(18
)

—

Loss on prepayment of debt
—

3

Settlement of tax matters:

Income taxes
—

21

Interest (net of taxes)
—

1

Net income attributable to shareholders, as adjusted*
$
593

$
519

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

The company recorded net income attributable to shareholders of $498.0 million for 2014, compared with net income attributable to shareholders of $399.4 million in the year-earlier period. Included in net income attributable to shareholders for 2014 were the previously discussed identifiable intangible asset amortization of $36.0 million, restructuring, integration, and other charges of $29.3 million, impairment charge of $47.9 million, and gain on sale of investment of $18.3 million. Included in net income attributable to shareholders for 2013 were the previously discussed identifiable intangible asset amortization of $29.3 million, restructuring, integration, and other charges of $65.6 million, loss on prepayment of debt of $2.6 million, and an increase in the provision for income taxes of $20.8 million and interest expense of $1.2 million related to the settlement of certain international tax matters. Excluding the aforementioned items, net income attributable to shareholders, as adjusted of $593.0 million for 2014, increased compared with net income attributable to shareholders, as adjusted of $519.0 million in the year-earlier period primarily due to an increase in sales in the global components and global ECS segments, and the impact of recent acquisitions.

Following is an analysis of net income attributable to shareholders for the years ended December 31 (in millions):

	2013	2012	
Net income attributable to shareholders, as reported	$399	$506	
Identifiable intangible asset amortization	29	29	
Restructuring, integration, and other charges	66	31	
Settlement of legal matters	—	(49	)

Loss on prepayment of debt	3	—
Settlement of international tax matters:		
Income taxes	21	—
Interest (net of taxes)	1	—
Net income attributable to shareholders, as adjusted*	$519	$518

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

The company recorded net income attributable to shareholders of $399.4 million for 2013, compared with net income attributable to shareholders of $506.3 million in the year-earlier period. Included in net income attributable to shareholders for 2013 were the previously discussed identifiable intangible asset amortization of $29.3 million, restructuring, integration, and other charges of $65.6 million, loss on prepayment of debt of $2.6 million, and an increase in the provision for income taxes of $20.8 million and interest expense of $1.2 million relating to the settlement of certain international tax matters. Included in net income attributable to shareholders for 2012 were the previously discussed identifiable intangible asset amortization of $29.3 million, restructuring, integration, and other charges of $30.7 million, and a gain of $48.6 million related to the settlement of a legal matter. Excluding

the aforementioned items net income attributable to shareholders, as adjusted of $519.0 million for 2013, was relatively consistent with net income attributable to shareholders, as adjusted of $517.8 million in the year-earlier period.

Liquidity and Capital Resources

At December 31, 2014 and 2013, the company had cash and cash equivalents of $400.4 million and $390.6 million, respectively, of which $300.9 million and $347.4 million, respectively, were held outside the United States. Liquidity is affected by many factors, some of which are based on normal ongoing operations of the company's business and some of which arise from fluctuations related to global economics and markets. Cash balances are generated and held in many locations throughout the world. It is the company's current intent to permanently reinvest these funds outside the United States and its current plans do not demonstrate a need to repatriate them to fund its United States operations. If these funds were to be needed for the company's operations in the United States it would be required to record and pay significant United States income taxes to repatriate these funds. Additionally, local government regulations may restrict the company's ability to move cash balances to meet cash needs under certain circumstances. The company currently does not expect such regulations and restrictions to impact its ability to make acquisitions or to pay vendors and conduct operations throughout the global organization.

During 2014, the net amount of cash provided by the company's operating activities was $673.3 million, the net amount of cash used for investing activities was $244.8 million, and the net amount of cash used for financing activities was $434.9 million. The effect of exchange rate changes on cash was an increase of $16.2 million.

During 2013, the net amount of cash provided by the company's operating activities was $450.7 million, the net amount of cash used for investing activities was $487.1 million, and the net amount of cash used for financing activities was $26.6 million. The effect of exchange rate changes on cash was an increase of $43.9 million.

During 2012, the net amount of cash provided by the company's operating activities was $675.0 million, the net amount of cash used for investing activities was $409.1 million, and the net amount of cash used for financing activities was $257.7 million. The effect of exchange rate changes on cash was an increase of $4.6 million.

Cash Flows from Operating Activities

The company maintains a significant investment in accounts receivable and inventories. As a percentage of total assets, accounts receivable and inventories were approximately 67.3% at December 31, 2014 and were approximately 65.8% at December 31, 2013.

The net amount of cash provided by the company's operating activities during 2014 was $673.3 million and was primarily due to earnings from operations, adjusted for non-cash items.

The net amount of cash provided by the company's operating activities during 2013 was $450.7 million and was primarily due to earnings from operations, adjusted for non-cash items, offset in part, by an increase in net working capital to support an increase in sales.

The net amount of cash provided by the company's operating activities during 2012 was $675.0 million and was primarily due to earnings from operations, adjusted for non-cash items, and a decrease in net working capital due to a decline in sales.

Working capital, as a percentage of sales, was 14.7%, 16.1%, and 15.7% in 2014, 2013, and 2012, respectively.

Cash Flows from Investing Activities

The net amount of cash used for investing activities during 2014 was $244.8 million, primarily reflecting $162.9 million of cash consideration paid for acquired businesses, $122.5 million for capital expenditures, and $40.5 million of proceeds from sale of investment. Included in capital expenditures for 2014 is $57.0 million related to the company's global ERP initiative.

During 2014, the company completed five acquisitions. The aggregate consideration paid for these five acquisitions was $162.9 million, net of cash acquired, contingent consideration and other amounts withheld.

The net amount of cash used for investing activities during 2013 was $487.1 million, primarily reflecting $367.9 million of cash consideration paid for acquired businesses, $116.2 million for capital expenditures, and $3.0 million related to the purchase of a cost method investment. Included in capital expenditures for 2013 is $57.1 million related to the company's global ERP initiative.

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During 2013, the company acquired ComputerLinks, a value-added distributor of enterprise computing solutions with a comprehensive offering of IT solutions from many of the world's leading technology suppliers for aggregate consideration of $292.2 million, net of cash acquired. During 2013 the company completed four additional acquisitions for aggregate consideration of $75.7 million, net of cash acquired and contingent consideration.

The net amount of cash used for investing activities during 2012 was $409.1 million, primarily reflecting $281.9 million of cash consideration paid for acquired businesses, $112.2 million for capital expenditures, and $15.0 million related to the purchase of a cost method investment. Included in capital expenditures for 2012 is $65.6 million related to the company's global ERP initiative.

During 2012, the company completed seven acquisitions. The aggregate consideration for these seven acquisitions was $279.4 million, net of cash acquired and contingent consideration. In addition, the company made a payment of $2.5 million to increase its ownership interest in a majority-owned subsidiary.

Cash Flows from Financing Activities

The net amount of cash used for financing activities during 2014 was $434.9 million. The uses of cash from financing activities included $145.0 million of net repayments of long-term bank borrowings, $304.8 million of repurchases of common stock, a $12.5 million decrease in short-term and other borrowings, and other contingent consideration payments of $1.5 million. The sources of cash from financing activities during 2014 were $21.8 million of proceeds from the exercise of stock options, and $7.1 million related to excess tax benefits from stock-based compensation arrangements.

The net amount of cash used for financing activities during 2013 was $26.6 million. The uses of cash from financing activities included $338.2 million of redemption of senior notes, $362.8 million of repurchases of common stock, and a $31.3 million decrease in short-term and other borrowings. The sources of cash from financing activities during 2013 were $591.2 million of net proceeds from a note offering, $71.4 million of net proceeds of long-term bank borrowings, $36.0 million of proceeds from the exercise of stock options, and $7.2 million related to excess tax benefits from stock-based compensation arrangements.

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

During 2013, the company redeemed $332.1 million principal amount of its 6.875% senior notes due July 2013. The related loss on the redemption for the year ended December 31, 2013 aggregated $4.3 million ($2.6 million net of related taxes or $.03 per share on both a basic and diluted basis) and was recognized as a loss on prepayment of debt.

The net amount of cash used for financing activities during 2012 was $257.7 million. The uses of cash from financing activities included $260.9 million of repurchases of common stock, a $9.8 million decrease in short-term and other borrowings, and $5.4 million of repayments of long-term bank borrowings. The sources of cash from financing activities during 2012 were $13.4 million of proceeds from the exercise of stock options, and $5.0 million related to excess tax benefits from stock-based compensation arrangements.

The company has a $1.50 billion revolving credit facility, maturing in December 2018. This facility may be used by the company for general corporate purposes including working capital in the ordinary course of business, letters of credit, repayment, prepayment or purchase of long-term indebtedness and acquisitions, and as support for the company's commercial paper program, as applicable. Interest on borrowings under the revolving credit facility is

calculated using a base rate or a euro currency rate plus a spread (1.30% at December 31, 2014), which is based on the company's credit ratings. The facility fee is .20%. There were no outstanding borrowings under the revolving credit facility at December 31, 2014 and December 31, 2013. During the years ended December 31, 2014 and 2013, the average daily balance outstanding under the revolving credit facility was $378.7 million and $421.8 million, respectively.

The company has an asset securitization program collateralized by accounts receivable of certain of its subsidiaries. In March 2014, the company amended its asset securitization program and, among other things, increased its borrowing capacity from $775.0 million to $900.0 million and extended its term to mature in March 2017. The asset securitization program is conducted through Arrow Electronics Funding Corporation ("AFC"), a wholly-owned, bankruptcy remote subsidiary. The asset securitization program does not qualify for sale treatment. Accordingly, the accounts receivable and related debt obligation remain on the company's consolidated balance sheets. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread (.40% at December 31, 2014), which is based on the company's credit ratings, or an effective interest rate of .55% at December 31, 2014. The facility fee is .40%.

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At December 31, 2014 and 2013, the company had $275.0 million and $420.0 million, respectively, in outstanding borrowings under the asset securitization program, which was included in "Long-term debt" in the company's consolidated balance sheets, and total collateralized accounts receivable of approximately $2.06 billion and $1.87 billion, respectively, were held by AFC and were included in "Accounts receivable, net" in the company's consolidated balance sheets. Any accounts receivable held by AFC would likely not be available to other creditors of the company in the event of bankruptcy or insolvency proceedings before repayment of any outstanding borrowings under the asset securitization program. During the years ended December 31, 2014 and 2013, the average daily balance outstanding under the asset securitization program was $488.2 million and $276.5 million, respectively.

Both the revolving credit facility and asset securitization program include terms and conditions that limit the incurrence of additional borrowings and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of December 31, 2014 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

In April 2014, the company entered into an agreement for an uncommitted line of credit. In September 2014, the company amended its uncommitted line of credit to increase its borrowing capacity from $70.0 million to $100.0 million. There were no outstanding borrowings under the uncommitted line of credit at December 31, 2014.

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

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

Management believes that the company's current cash availability, its current borrowing capacity under its revolving credit facility and asset securitization program, its expected ability to generate future operating cash flows, and the company's access to capital markets are sufficient to meet its projected cash flow needs for the foreseeable future. The company continually evaluates its liquidity requirements and would seek to amend its existing borrowing capacity or access the financial markets as deemed necessary.

Contractual Obligations

Payments due under contractual obligations at December 31, 2014 are as follows (in thousands):

	Within 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Debt	$261,063	$275,498	$498,275	$1,046,123	$2,080,959
Interest on long-term debt	90,455	161,382	121,422	166,448	539,707
Capital leases	4,666	3,171	110	—	7,947
Operating leases	61,466	79,109	31,295	16,902	188,772
Purchase obligations (a)	3,432,637	26,906	8,030	226	3,467,799
Other (b)	16,739	1,050	3,889	17,300	38,978
	$3,867,026	$547,116	$663,021	$1,246,999	$6,324,162

(a) Amounts represent an estimate of non-cancelable inventory purchase orders and other contractual obligations related to information technology and facilities as of December 31, 2014. Most of the company's inventory purchases are pursuant to authorized distributor agreements, which are typically cancelable by either party at any time or on short notice, usually within a few months.

(b) Includes estimates of contributions required to meet the requirements of the Wyle defined benefit plan. Amounts are subject to change based upon the performance of plan assets, as well as the discount rate used to determine the obligation.

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The company does not anticipate having to make required contributions to the plans beyond 2024. Also included are amounts relating to personnel, facilities, and certain other costs resulting from restructuring and integration activities.

Under the terms of various joint venture agreements, the company is required to pay its pro-rata share of the third party debt of the joint ventures in the event that the joint ventures are unable to meet their obligations. At December 31, 2014, the company's pro-rata share of this debt was approximately $.7 million. The company believes there is sufficient equity in each of the joint ventures to meet their obligations.

At December 31, 2014, the company had a liability for unrecognized tax benefits and a liability for the payment of related interest totaling $56.9 million, of which approximately $.1 million is expected to be paid within one year. For the remaining liability, due to the uncertainties related to these tax matters, the company is unable to make a reasonably reliable estimate when cash settlement with a taxing authority will occur.

Share-Repurchase Programs

In July 2013, the company's Board approved the repurchase of up to $200 million of the company's common stock through a share-repurchase program. In 2014, the company's Board approved an additional repurchase of up to $400 million ($200 million in May and December, respectively) of the company's common stock. As of December 31, 2014, the company repurchased 6,227,341 shares under these programs with a market value of $338.8 million at the dates of repurchase, of which 2,189,966 shares with a market value of $115.2 million were repurchased during the fourth quarter of 2014.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

The company believes the following critical accounting policies involve the more significant judgments and estimates used in the preparation of its consolidated financial statements:

Revenue Recognition

The company recognizes revenue when there is persuasive evidence of an arrangement, delivery has occurred or services are rendered, the sales price is determinable, and collectibility is reasonably assured. Revenue typically is recognized at time of shipment. Sales are recorded net of discounts, rebates, and returns, which historically have not been material.

A portion of the company's business involves shipments directly from its suppliers to its customers. In these transactions, the company is responsible for negotiating price both with the supplier and customer, payment to the supplier, establishing payment terms with the customer, product returns, and has risk of loss if the customer does not make payment. As the principal with the customer, the company recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product was shipped.

The company has certain business with select customers and suppliers that is accounted for on an agency basis (that is, the company recognizes the fees associated with serving as an agent in sales with no associated cost of sales) in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 605-45-45. Generally, these transactions relate to the sale of supplier service contracts to customers where the company has no future obligation to perform under these contracts or the rendering of logistics services for the delivery of inventory for which the company does not assume the risks and rewards of ownership.

During the third quarter of 2012, the company prospectively revised its presentation of sales related to certain fulfillment contracts to present these revenues on an agency basis as net fees, as compared to presenting gross sales and costs of sales in prior periods.

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This revised presentation had no impact on the company's consolidated balance sheet or statement of cash flows. Within the company's consolidated statement of operations, gross profit dollars, operating income dollars, net income dollars, and earnings per share were also not impacted for any periods reported. Prior to this prospective revision, these contracts approximated one percent of the company's consolidated sales for 2012. Management has concluded that the impact of this revised presentation was not material and, therefore, prior periods have not been adjusted.

Accounts Receivable

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

Inventories

Inventories are stated at the lower of cost or market. Write-downs of inventories to market value are based upon contractual provisions governing price protection, stock rotation, and obsolescence, as well as assumptions about future demand and market conditions. If assumptions about future demand change and/or actual market conditions are less favorable than those projected by the company, additional write-downs of inventories may be required. Due to the large number of transactions and the complexity of managing the process around price protections and stock rotations, estimates are made regarding adjustments to the book cost of inventories. Actual amounts could be different from those estimated.

Investments

The company accounts for available-for-sale investments at fair value, using quoted market prices, and the related holding gains and losses are included in "Accumulated other comprehensive income (loss)" in the shareholders' equity section in the company's consolidated balance sheets. The company assesses its long-term investments accounted for as available-for-sale on an ongoing basis to determine whether declines in market value below cost are other-than-temporary. When the decline is determined to be other-than-temporary, the cost basis for the individual security is reduced and a loss is realized in the company's consolidated statement of operations in the period in which it occurs. The company makes such determination after considering the length of time and the extent to which the market value of the investment is less than its cost, the financial condition and operating results of the investee, and the company's intent and ability to retain the investment over time to potentially allow for any recovery in market value. In addition, the company assesses the following factors:

- broad economic factors impacting the investee's industry;
- publicly available forecasts for sales and earnings growth for the industry and investee; and
- the cyclical nature of the investee's industry.

The company could incur an impairment charge in future periods if, among other factors, the investee's future earnings differ from currently available forecasts.

Income Taxes

The carrying value of the company's deferred tax assets is dependent upon the company's ability to generate sufficient future taxable income in certain tax jurisdictions. Should the company determine that it is more likely than not that some portion or all of its deferred tax assets will not be realized, a valuation allowance to the deferred tax assets

would be established in the period such determination was made.

It is the company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. At December 31, 2014, the company believes it has appropriately accounted for any unrecognized tax benefits. To the extent the company prevails in matters for which a liability for an unrecognized tax benefit is established or is required to pay amounts in excess of the liability, the company's effective tax rate in a given financial statement period may be affected.

Financial Instruments

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

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

Contingencies and Litigation

The company is subject to proceedings, lawsuits, and other claims related to environmental, regulatory, labor, product, tax, and other matters and assesses the likelihood of an adverse judgment or outcome for these matters, as well as the range of potential losses. A determination of the reserves required, if any, is made after careful analysis. The reserves may change in the future due to new developments impacting the probability of a loss, the estimate of such loss, and the probability of recovery of such loss from third parties.

Stock-Based Compensation

The company records share-based payment awards exchanged for employee services at fair value on the date of grant and expenses the awards in the consolidated statements of operations over the requisite employee service period. Stock-based compensation expense includes an estimate for forfeitures. Stock-based compensation expense related to awards with a market or performance condition is generally recognized over the vesting period of the award utilizing the graded vesting method, while all other awards are recognized on a straight-line basis. The fair value of stock options is determined using the Black-Scholes valuation model and the assumptions shown in Note 12 of the Notes to the Consolidated Financial Statements. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates. The company's estimates may be impacted by certain variables including, but not limited to, stock price volatility, employee stock option exercise behaviors, additional stock option grants, estimates of forfeitures, the company's performance, and related tax impacts.

Costs in Excess of Net Assets of Companies Acquired

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. The company tests goodwill for impairment annually as of the first day of the fourth quarter and/or when an event occurs or circumstances change such that it is more likely than not that an impairment may exist. Examples of such events and circumstances that the company would consider include the following:

- macroeconomic conditions such as deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets;
- industry and market considerations such as a deterioration in the environment in which the company operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for the company's products or services, or a regulatory or political development;
- cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows;
-

overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods;

- other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; or litigation;
- events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit; and
- a sustained decrease in share price (considered in both absolute terms and relative to peers).

Goodwill is tested at a level of reporting referred to as "the reporting unit." The company's reporting units are defined as each of the three regional businesses within the global components business segment, which are the Americas, EMEA, and Asia/Pacific and each of the two regional businesses within the global ECS business segment, which are North America and EMEA.

An entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less

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than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The company has elected not to perform the qualitative assessment and began its impairment testing with the first step of the two-step impairment process. The first step, used to identify potential impairment, compares the calculated fair value of a reporting unit with its carrying amount. If the carrying amount of the reporting unit is less than its fair value, no impairment exists and the second step is not performed. If the carrying amount of a reporting unit exceeds its fair value, the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The company estimates the fair value of a reporting unit using the income approach. For the purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The assumptions included in the income approach include forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others, all of which require significant judgments by management. Actual results may differ from those assumed in the company's forecasts. The company also reconciles its discounted cash flow analysis to its current market capitalization allowing for a reasonable control premium. As of the first day of the fourth quarters of 2014, 2013, and 2012, the company's annual impairment testing did not indicate impairment at any of the company's reporting units.

A decline in general economic conditions or global equity valuations could impact the judgments and assumptions about the fair value of the company's businesses, and the company could be required to record an impairment charge in the future, which could impact the company's consolidated balance sheet, as well as the company's consolidated statement of operations. If the company was required to recognize an impairment charge in the future, the charge would not impact the company's consolidated cash flows, current liquidity, capital resources, and covenants under its existing revolving credit facility, asset securitization program, and other outstanding borrowings.

As of December 31, 2014, the company has $2.07 billion of goodwill, of which approximately $990.1 million and $33.9 million was allocated to the Americas and Asia/Pacific reporting units within the global components business segment, respectively and $626.1 million and $419.1 million was allocated to the North America and EMEA reporting units within the global ECS business segment, respectively. As of the date of the company's latest impairment test, the fair value of the Americas and Asia/Pacific reporting units within the global components business segment and the fair value of the North America and EMEA reporting units within the global ECS business segment exceeded their carrying values by approximately 47%, 19%, 278%, and 128%, respectively.

Impairment of Long-Lived Assets

The company reviews long-lived assets, including property, plant, and equipment and identifiable intangible assets, for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. The company also tests indefinite-lived intangible assets, consisting of acquired trade names, for impairment at least annually as of the first day of the fourth quarter. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

Factors which may cause an impairment of long-lived assets include significant changes in the manner of use of these assets, negative industry or market trends, a significant underperformance relative to historical or projected future operating results, or a likely sale or disposal of the asset before the end of its estimated useful life. If any of these

factors exist, the company is required to test the long-lived asset for recoverability and may be required to recognize an impairment charge for all or a portion of the asset's carrying value.

During the fourth quarter of 2014, in connection with the company's global re-branding initiative to brand certain of its businesses under the Arrow name, the company made the decision to discontinue the use of a trade name of one of its businesses within the global ECS business segment. As no future cash flows will be attributed to the impacted trade name, the entire book value was written-off, resulting in a non-cash impairment charge of $78.0 million ($47.9 million net of related taxes or $.49 and $.48 per share on a basic and diluted basis, respectively) as of December 31, 2014 in the company's consolidated statements of operations. Fair value was determined using unobservable (Level 3) inputs. The impairment charge did not impact the company’s consolidated cash flows, liquidity, capital resources, and covenants under its existing revolving credit facility, asset securitization program, and other outstanding borrowings. No impairment existed as of December 31, 2014 with respect to the company's other identifiable intangible assets.

During 2012, the company recorded an impairment charge of $6.6 million in connection with asset write-downs resulting from the company's decision to exit certain business activities which caused these assets to become redundant and have no future benefit.

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This impairment charge is included in "Restructuring, integration, and other charges" in the company's consolidated statements of operations.

Impact of Recently Issued Accounting Standards

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

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

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

In June 2014, the FASB issued Accounting Standards Update No. 2014-11, Transfers and Servicing (Topic 860): Repurchase-to- Maturity Transactions, Repurchase Financings, and Disclosures ("ASU No. 2014-11"). ASU No. 2014-11 requires entities to account for repurchase-to-maturity transactions as secured borrowings, rather than as sales with forward repurchase agreements. In addition, the ASU eliminates accounting guidance on linked repurchase financing transactions. ASU No. 2014-11 also expands disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers accounted for as secured borrowings. ASU No. 2014-11 is effective for interim and annual periods beginning after December 15, 2014, with early application prohibited. The adoption of the provisions of ASU No. 2014-11 is not expected to have a material impact on the company's financial position or results of operations.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU No. 2014-09"). ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification.

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

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU No. 2014-08"). ASU No. 2014-08 amends the requirements for reporting and disclosing discontinued operations. Under ASU No. 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity’s operations and financial results. ASU No. 2014-08 is effective for interim and annual periods beginning after December 15, 2014, with early

adoption permitted and is to be applied prospectively. The adoption of the provisions of ASU No. 2014-08 is not expected to have a material impact on the company's financial position or results of operations.

Information Relating to Forward-Looking Statements

This report includes forward-looking statements that are subject to numerous assumptions, risks, and uncertainties, which could cause actual results or facts to differ materially from such statements for a variety of reasons, including, but not limited to: industry conditions, the company's implementation of its new enterprise resource planning system, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and global ECS markets, changes in relationships with key suppliers, increased profit margin pressure, the effects of additional actions taken to become more efficient or lower costs, risks related to the integration of acquired businesses, changes in legal and regulatory matters, and the company’s ability to generate additional cash flow. Forward-looking statements are those statements which are not statements of historical fact. These forward-looking statements can be identified by forward-looking words such as "expects," "anticipates," "intends," "plans," "may," "will," "believes," "seeks," "estimates," and similar expressions. Shareholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update publicly or revise any of the forward-looking statements.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The company is exposed to market risk from changes in foreign currency exchange rates and interest rates.

Foreign Currency Exchange Rate Risk

The company, as a large global organization, faces exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and could materially impact the company's financial results in the future. The company's primary exposure relates to transactions in which the currency collected from customers is different from the currency utilized to purchase the product sold in Europe, the Asia Pacific region, Canada, and Latin America. The company's policy is to hedge substantially all such currency exposures for which natural hedges do not exist. Natural hedges exist when purchases and sales within a specific country are both denominated in the same currency and, therefore, no exposure exists to hedge with foreign exchange forward, option, or swap contracts (collectively, the "foreign exchange contracts"). In many regions in Asia, for example, sales and purchases are primarily denominated in U.S. dollars, resulting in a "natural hedge." Natural hedges exist in most countries in which the company operates, although the percentage of natural offsets, as compared with offsets that need to be hedged by foreign exchange contracts, will vary from country to country. The company does not enter into foreign exchange contracts for trading purposes. The risk of loss on a foreign exchange contract is the risk of nonperformance by the counterparties, which the company minimizes by limiting its counterparties to major financial institutions. The fair values of the foreign exchange contracts, which are nominal, are estimated using market quotes. The notional amount of the foreign exchange contracts at December 31, 2014 and 2013 was $401.0 million and $445.7 million, respectively.

The translation of the financial statements of the non-United States operations is impacted by fluctuations in foreign currency exchange rates. The change in consolidated sales and operating income was impacted by the translation of the company's international financial statements into U.S. dollars. This resulted in decreased sales and operating income of $79.0 million and $4.8 million, respectively, for 2014, compared with the year-earlier period, based on 2013 sales and operating income at the average rate for 2014. Sales and operating income would decrease by approximately $688.3 million and $27.4 million, respectively, if average foreign exchange rates had declined by 10% against the U.S. dollar in 2014. These amounts were determined by considering the impact of a hypothetical foreign exchange rate on the sales and operating income of the company's international operations.

Interest Rate Risk

The company's interest expense, in part, is sensitive to the general level of interest rates in North America, Europe, and the Asia Pacific region. The company historically has managed its exposure to interest rate risk through the proportion of fixed-rate and floating-rate debt in its total debt portfolio. Additionally, the company utilizes interest rate swaps in order to manage its targeted mix of fixed- and floating-rate debt.

At December 31, 2014, approximately 82% of the company's debt was subject to fixed rates, and 18% of its debt was subject to floating rates. A one percentage point change in average interest rates would not materially impact net interest and other financing expense in 2014. This was determined by considering the impact of a hypothetical interest rate on the company's average floating rate on investments and outstanding debt. This analysis does not consider the effect of the level of overall economic activity that could exist. In the event of a change in the level of economic activity, which may adversely impact interest rates, the company could likely take actions to further mitigate any potential negative exposure to the change. However, due to the uncertainty of the specific actions that might be taken and their possible effects, the sensitivity analysis assumes no changes in the company's financial structure.

In April 2014, the company entered into an interest rate swap, with a notional amount of $50.0 million. This swap modifies the company's interest rate exposure by effectively converting a portion of the fixed 6.00% notes to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective interest rate of 4.23% at December 31, 2014), through its maturity. The swap is classified as a fair value hedge and had a fair value of $.4 million at December 31, 2014.

In April 2014, the company entered into an interest rate swap, with a notional amount of $50.0 million. This swap modifies the company's interest rate exposure by effectively converting a portion of the fixed 6.875% senior debentures to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective interest rate of 5.63% at December 31, 2014), through its maturity. The swap is classified as a fair value hedge and had a negative fair value of less than $.01 million at December 31, 2014.

In September 2011, the company entered into a ten-year forward-starting interest rate swap (the "2011 swap") which locked in a treasury rate of 2.63% on an aggregate notional amount of $175.0 million. This swap managed the risk associated with changes in treasury rates and the impact of future interest payments. The 2011 swap related to the interest payments for anticipated debt issuances to replace the company's 6.875% senior notes due to mature in July 2013. The 2011 swap is classified as a cash flow

hedge. During 2013, the company paid $7.7 million to terminate the 2011 swap upon issuance of the ten-year notes due in 2023. The fair value of the 2011 swap is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive income" and is being reclassified into income over the ten-year term of the notes due in 2023. For the 2011 swap, the company reclassified into income $(656) and $(245) in 2014 and 2013, respectively.

In December 2010, the company entered into interest rate swaps, with an aggregate notional amount of $250.0 million. The swaps modified the company's interest rate exposure by effectively converting the fixed 3.375% notes due in November 2015 to a floating rate, based on the three-month U.S. dollar LIBOR plus a spread, through its maturity. In September 2011, these interest rate swap agreements were terminated for proceeds of $11.9 million, net of accrued interest. The proceeds of the swap terminations, less accrued interest, were reflected as a premium to the underlying debt and are being amortized as a reduction to interest expense over the remaining term of the underlying debt.

In June 2004 and November 2009, the company entered into interest rate swaps, with an aggregate notional amount of $275.0 million. The swaps modified the company's interest rate exposure by effectively converting a portion of the fixed 6.875% senior notes due in July 2013 to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread, through its maturity. In September 2011, these interest rate swap agreements were terminated for proceeds of $12.2 million, net of accrued interest. The proceeds of the swap terminations, less accrued interest, were reflected as a premium to the underlying debt and were amortized as a reduction to interest expense over the term of the underlying debt.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Arrow Electronics, Inc.

We have audited the accompanying consolidated balance sheets of Arrow Electronics, Inc. and subsidiaries (the "company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and the schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arrow Electronics, Inc. and subsidiaries at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Arrow Electronics, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 5, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York
February 5, 2015

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

	Years Ended December 31,		
	2014	2013	2012
Sales	$22,768,674	$21,357,285	$20,405,128
Costs and expenses:			
Cost of sales	19,772,779	18,566,356	17,667,842
Selling, general, and administrative expenses	1,959,749	1,873,638	1,849,534
Depreciation and amortization	156,048	131,141	115,350
Restructuring, integration, and other charges	39,841	92,650	47,437
Trade name impairment charge	78,000	—	—
Settlement of legal matters	—	—	(79,158)
	22,006,417	20,663,785	19,601,005
Operating income	762,257	693,500	804,123
Equity in earnings of affiliated companies	7,318	7,429	8,112
Gain on sale of investment	29,743	—	—
Loss on prepayment of debt	—	4,277	—
Interest and other financing expense, net	115,985	114,433	101,876
Income before income taxes	683,333	582,219	710,359
Provision for income taxes	184,943	182,343	203,642
Consolidated net income	498,390	399,876	506,717
Noncontrolling interests	345	456	385
Net income attributable to shareholders	$498,045	$399,420	$506,332
Net income per share:			
Basic	$5.05	$3.89	$4.64
Diluted	$4.98	$3.85	$4.56
Weighted-average shares outstanding:			
Basic	98,675	102,559	109,240
Diluted	99,947	103,699	111,077

See accompanying notes.

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

	Years Ended December 31,		
	2014	2013	2012
Consolidated net income	$498,390	$399,876	$506,717
Other comprehensive income:			
Foreign currency translation adjustment	(265,030)	65,793	23,889
Unrealized gain (loss) on investment securities, net	(12,925)	1,027	3,679
Unrealized gain (loss) on interest rate swaps designated as cash flow hedges, net	403	2,075	(4,805)
Employee benefit plan items, net	(12,617)	11,520	(6,976)
Other comprehensive income (loss)	(290,169)	80,415	15,787
Comprehensive income	208,221	480,291	522,504
Less: Comprehensive income attributable to noncontrolling interests	345	456	192
Comprehensive income attributable to shareholders	$207,876	$479,835	$522,312

See accompanying notes.

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

	December 31, 2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$400,355	$390,602
Accounts receivable, net	6,043,850	5,769,759
Inventories	2,335,257	2,167,287
Other current assets	253,145	258,122
Total current assets	9,032,607	8,585,770
Property, plant, and equipment, at cost:		
Land	23,770	24,051
Buildings and improvements	144,530	142,583
Machinery and equipment	1,146,045	1,113,987
	1,314,345	1,280,621
Less: Accumulated depreciation and amortization	(678,046)	(648,232)
Property, plant, and equipment, net	636,299	632,389
Investments in affiliated companies	69,124	67,229
Intangible assets, net	335,711	426,069
Cost in excess of net assets of companies acquired	2,069,209	2,039,293
Other assets	299,906	310,133
Total assets	$12,442,856	$12,060,883
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$5,027,103	$4,503,200
Accrued expenses	797,464	774,868
Short-term borrowings, including current portion of long-term debt	13,454	23,878
Total current liabilities	5,838,021	5,301,946
Long-term debt	2,075,453	2,226,132
Other liabilities	370,471	347,977
Equity:		
Shareholders' equity:		
Common stock, par value $1:		
Authorized - 160,000 shares in both 2014 and 2013		
Issued - 125,424 shares in both 2014 and 2013	125,424	125,424
Capital in excess of par value	1,086,082	1,071,075
Treasury stock (29,529 and 25,488 shares in 2014 and 2013, respectively), at cost	(1,169,673)	(920,528)
Retained earnings	4,176,754	3,678,709
Accumulated other comprehensive income (loss)	(64,617)	225,552
Total shareholders' equity	4,153,970	4,180,232
Noncontrolling interests	4,941	4,596
Total equity	4,158,911	4,184,828
Total liabilities and equity	$12,442,856	$12,060,883

See accompanying notes.

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

	Years Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Consolidated net income	$498,390	$399,876	$506,717
Adjustments to reconcile consolidated net income to net cash provided by operations:			
Depreciation and amortization	156,048	131,141	115,350
Amortization of stock-based compensation	41,930	36,923	34,546
Equity in earnings of affiliated companies	(7,318)	(7,429)	(8,112)
Deferred income taxes	(25,744)	273	(5,414)
Restructuring, integration, and other charges	29,324	65,601	30,739
Trade name impairment charge	78,000	—	—
Gain on sale of investment	(18,269)	—	—
Excess tax benefits from stock-based compensation arrangements	(7,129)	(7,172)	(5,029)
Other	2,686	3,534	(5,786)
Change in assets and liabilities, net of effects of acquired businesses:			
Accounts receivable	(521,613)	(572,886)	(318,689)
Inventories	(210,789)	(21,277)	(62,383)
Accounts payable	628,697	446,814	406,874
Accrued expenses	12,396	(123,969)	38,858
Other assets and liabilities	16,692	99,262	(52,638)
Net cash provided by operating activities	673,301	450,691	675,033
Cash flows from investing activities:			
Cash consideration paid for acquired businesses	(162,881)	(367,940)	(281,918)
Acquisition of property, plant, and equipment	(122,505)	(116,162)	(112,224)
Proceeds from sale of investment	40,542	—	—
Purchase of cost method investments	—	(3,000)	(15,000)
Net cash used for investing activities	(244,844)	(487,102)	(409,142)
Cash flows from financing activities:			
Change in short-term and other borrowings	(12,541)	(31,340)	(9,812)
Proceeds from (repayment of) long-term bank borrowings, net	(145,000)	71,400	(5,400)
Net proceeds from note offering	—	591,156	—
Redemption of senior notes	—	(338,184)	—
Proceeds from exercise of stock options	21,788	36,014	13,372
Excess tax benefits from stock-based compensation arrangements	7,129	7,172	5,029
Repurchases of common stock	(304,763)	(362,793)	(260,870)
Other	(1,499)	—	—
Net cash used for financing activities	(434,886)	(26,575)	(257,681)
Effect of exchange rate changes on cash	16,182	43,904	4,587
Net increase (decrease) in cash and cash equivalents	9,753	(19,082)	12,797
Cash and cash equivalents at beginning of year	390,602	409,684	396,887
Cash and cash equivalents at end of year	$400,355	$390,602	$409,684

See accompanying notes.

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ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)

	Common Stock at Par Value	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance at December 31, 2011	$125,382	$1,076,275	$(434,959)	$2,772,957	$ 129,157	$ 6,448	$3,675,260
Consolidated net income	—	—	—	506,332	—	385	506,717
Other comprehensive income	—	—	—	—	15,980	(193)	15,787
Amortization of stock-based compensation	—	34,546	—	—	—	—	34,546
Shares issued for stock-based compensation awards	42	(29,632)	42,962	—	—	—	13,372
Tax benefits related to stock-based compensation awards	—	5,076	—	—	—	—	5,076
Repurchases of common stock	—	—	(260,870)	—	—	—	(260,870)
Purchase of subsidiary shares from noncontrolling interest	—	(26)	—	—	—	(2,500)	(2,526)
Balance at December 31, 2012	125,424	1,086,239	(652,867)	3,279,289	145,137	4,140	3,987,362
Consolidated net income	—	—	—	399,420	—	456	399,876
Other comprehensive income	—	—	—	—	80,415	—	80,415
Amortization of stock-based compensation	—	36,923	—	—	—	—	36,923
Shares issued for stock-based compensation awards	—	(59,118)	95,132	—	—	—	36,014
Tax benefits related to stock-based compensation awards	—	7,031	—	—	—	—	7,031
Repurchases of common stock	—	—	(362,793)	—	—	—	(362,793)
Balance at December 31, 2013	125,424	1,071,075	(920,528)	3,678,709	225,552	4,596	4,184,828
Consolidated net income	—	—	—	498,045	—	345	498,390
Other comprehensive loss	—	—	—	—	(290,169)	—	(290,169)

Amortization of stock-based compensation	—	41,930	—	—	—	—	41,930
Shares issued for stock-based compensation awards	—	(33,830)	55,618	—	—	—	21,788
Tax benefits related to stock-based compensation awards	—	6,907	—	—	—	—	6,907
Repurchases of common stock	—	—	(304,763)	—	—	—	(304,763)
Balance at December 31, 2014	$125,424	$1,086,082	$(1,169,673)	$4,176,754	$ (64,617)	$ 4,941	$4,158,911

See accompanying notes.

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

1.Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the company and its majority-owned subsidiaries. All significant intercompany transactions are eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the company to make significant estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash, with original maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or market. Cost approximates the first-in, first-out method. Substantially all inventories represent finished goods held for sale.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The estimated useful lives for depreciation of buildings is generally 20 to 30 years, and the estimated useful lives of machinery and equipment is generally three to ten years. Leasehold improvements are amortized over the shorter of the term of the related lease or the life of the improvement. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If the carrying value of the asset can not be recovered from estimated future cash flows, undiscounted and without interest, the fair value of the asset is calculated using the present value of estimated net future cash flows. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

Software Development Costs

The company capitalizes certain internal and external costs incurred to acquire or create internal-use software. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software, which is generally three to seven years. At December 31, 2014 and 2013, the company had unamortized software development costs of $411,056 and $420,180, respectively, which are included in "Machinery and equipment" in the company's consolidated balance sheets.

Identifiable Intangible Assets

Amortization of definite-lived intangible assets is computed on the straight-line method over the estimated useful lives of the assets, while indefinite-lived intangible assets are not amortized. Identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The company also tests indefinite-lived intangible assets, consisting of acquired trade names, for impairment at least annually as of the first day of the fourth quarter. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

During the fourth quarter of 2014, in connection with the company's global re-branding initiative to brand certain of its businesses under the Arrow name, the company made the decision to discontinue the use of a trade name of one of its businesses within the global enterprise computing solutions ("ECS") business segment. As no future cash flows will be attributed to the impacted trade name, the entire book value was written-off, resulting in a non-cash impairment charge of $78,000 ($47,911 net of related taxes or $.49 and $.48 per share on a basic and diluted basis, respectively) as of December 31, 2014 in the company's consolidated statements of operations. Fair value was determined using unobservable (Level 3) inputs. The impairment charge did not impact

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the company's consolidated cash flows, liquidity, capital resources, and covenants under its existing revolving credit facility, asset securitization program, and other outstanding borrowings. No impairment existed as of December 31, 2014 with respect to the company's other identifiable intangible assets.

Investments

Investments are accounted for using the equity method if the investment provides the company the ability to exercise significant influence, but not control, over an investee. Significant influence is generally deemed to exist if the company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee's Board of Directors, are considered in determining whether the equity method is appropriate. The company records its investments in equity method investees meeting these characteristics as "Investments in affiliated companies" in the company's consolidated balance sheets.

All other equity investments, which consist of investments for which the company does not possess the ability to exercise significant influence, are accounted for under the cost method, if privately held, or as available-for-sale, if publicly traded, and are included in "Other assets" in the company's consolidated balance sheets. Under the cost method of accounting, investments are carried at cost and are adjusted only for other-than-temporary declines in realizable value and additional investments. The company accounts for available-for-sale investments at fair value, using quoted market prices, and the related holding gains and losses are included in "Accumulated other comprehensive income" in the shareholders' equity section in the company's consolidated balance sheets. The company assesses its long-term investments accounted for as available-for-sale on an ongoing basis to determine whether declines in market value below cost are other-than-temporary. When the decline is determined to be other-than-temporary, the cost basis for the individual security is reduced and a loss is realized in the company's consolidated statement of operations in the period in which it occurs. The company makes such determination after considering the length of time and the extent to which the market value of the investment is less than its cost, the financial condition and operating results of the investee, and the company's intent and ability to retain the investment over time to potentially allow for any recovery in market value. In addition, the company assesses the following factors:

- broad economic factors impacting the investee's industry;
- publicly available forecasts for sales and earnings growth for the industry and investee; and
- the cyclical nature of the investee's industry.

The company could incur an impairment charge in future periods if, among other factors, the investee's future earnings differ from currently available forecasts.

Cost in Excess of Net Assets of Companies Acquired

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. The company tests goodwill for impairment annually as of the first day of the fourth quarter and/or when an event occurs or circumstances change such that it is more likely than not that an impairment may exist. Examples of such events and circumstances that the company would consider include the following:

- macroeconomic conditions such as deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets;
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industry and market considerations such as a deterioration in the environment in which the company operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for the company's products or services, or a regulatory or political development;

- cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows;
- overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods;
- other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; or litigation;
- events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit; and
- a sustained decrease in share price (considered in both absolute terms and relative to peers).

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Goodwill is tested at a level of reporting referred to as "the reporting unit." The company's reporting units are defined as each of the three regional businesses within the global components business segment, which are the Americas, EMEA (Europe, Middle East, and Africa), and Asia/Pacific and each of the two regional businesses within the global ECS business segment, which are North America and EMEA.

An entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The company has elected not to perform the qualitative assessment and began its impairment testing with the first step of the two-step impairment process. The first step, used to identify potential impairment, compares the calculated fair value of a reporting unit with its carrying amount. If the carrying amount of the reporting unit is less than its fair value, no impairment exists and the second step is not performed. If the carrying amount of a reporting unit exceeds its fair value, the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The company estimates the fair value of a reporting unit using the income approach. For the purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The assumptions included in the income approach include forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others, all of which require significant judgments by management. Actual results may differ from those assumed in the company's forecasts. The company also reconciles its discounted cash flow analysis to its current market capitalization allowing for a reasonable control premium. As of the first day of the fourth quarters of 2014, 2013, and 2012, the company's annual impairment testing did not indicate impairment at any of the company's reporting units.

Foreign Currency Translation and Remeasurement

The assets and liabilities of international operations are translated at the exchange rates in effect at the balance sheet date. Revenue and expense accounts are translated at the monthly average exchange rates. Adjustments arising from the translation of the foreign currency financial statements of the company's international operations are reported as a component of "Accumulated other comprehensive income" in the company's consolidated balance sheets.

For foreign currency remeasurement from each local currency into the appropriate functional currency, monetary assets and liabilities are remeasured to functional currencies using current exchange rates in effect at the balance sheet date. Gains or losses from these remeasurements were not significant and have been included in the company’s consolidated statements of operations. Non-monetary assets and liabilities are recorded at historical exchange rates, and the related remeasurement gains or losses are reported as a component of "Accumulated other comprehensive income" in the company's consolidated balance sheets.

Income Taxes

Income taxes are accounted for under the liability method. Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. The carrying value of the company's deferred tax assets is dependent upon the company's ability to generate sufficient future taxable income in certain tax jurisdictions. Should the company determine that it is more likely than not that some portion or all of its deferred tax assets will not be realized, a valuation allowance to the deferred tax assets would be established in the period such determination was made.

It is the company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. At December 31, 2014, the company believes it has appropriately accounted for any unrecognized tax benefits. To the extent the company prevails in matters for which a liability for an unrecognized tax benefit is established or is required to pay amounts in excess of the liability, the company's effective tax rate in a given financial statement period may be affected.

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Net Income Per Share

Basic net income per share is computed by dividing net income attributable to shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Comprehensive Income

Comprehensive income consists of consolidated net income, foreign currency translation adjustment, employee benefit plan items, and unrealized gains or losses on investment securities and interest rate swaps designated as cash flow hedges. Unrealized gains or losses on investment securities are net of any reclassification adjustments for realized gains or losses included in consolidated net income. Foreign currency translation adjustments included in comprehensive income were not tax effected as investments in international affiliates are deemed to be permanent. All other comprehensive income items are net of related income taxes.

Stock-Based Compensation

The company records share-based payment awards exchanged for employee services at fair value on the date of grant and expenses the awards in the consolidated statements of operations over the requisite employee service period. Stock-based compensation expense includes an estimate for forfeitures. Stock-based compensation expense related to awards with a market or performance condition is generally recognized over the vesting period of the award utilizing the graded vesting method, while all other awards are recognized on a straight-line basis. The company recorded, as a component of selling, general, and administrative expenses, amortization of stock-based compensation of $41,930, $36,923, and $34,546 in 2014, 2013, and 2012, respectively.

Segment Reporting

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The company's operations are classified into two reportable business segments: global components and global ECS.

Revenue Recognition

The company recognizes revenue when there is persuasive evidence of an arrangement, delivery has occurred or services are rendered, the sales price is determinable, and collectibility is reasonably assured. Revenue typically is recognized at time of shipment. Sales are recorded net of discounts, rebates, and returns, which historically have not been material.

A portion of the company's business involves shipments directly from its suppliers to its customers. In these transactions, the company is responsible for negotiating price both with the supplier and customer, payment to the supplier, establishing payment terms with the customer, product returns, and has risk of loss if the customer does not make payment. As the principal with the customer, the company recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product was shipped.

The company has certain business with select customers and suppliers that is accounted for on an agency basis (that is, the company recognizes the fees associated with serving as an agent in sales with no associated cost of sales) in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 605-45-45. Generally, these transactions relate to the sale of supplier service contracts to customers where the company has no future obligation to perform under these contracts or the rendering of logistics services for the delivery of inventory for which the company does not assume the risks and rewards of ownership.

During the third quarter of 2012, the company prospectively revised its presentation of sales related to certain fulfillment contracts to present these revenues on an agency basis as net fees, as compared to presenting gross sales and costs of sales in prior periods. This revised presentation had no impact on the company's consolidated balance sheet or statement of cash flows. Within the company's consolidated statement of operations, gross profit dollars, operating income dollars, net income dollars, and earnings per share were also not impacted for any periods reported. Prior to this prospective revision, these contracts approximated one percent of the company's consolidated sales for 2012. Management has concluded that the impact of this revised presentation was not material and, therefore, prior periods have not been adjusted.

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Shipping and Handling Costs

The company reports shipping and handling costs, primarily related to outbound freight, in the consolidated statements of operations as a component of selling, general, and administrative expenses. Shipping and handling costs included in selling, general, and administrative expenses totaled $85,591, $92,620, and $83,278 in 2014, 2013, and 2012, respectively.

Impact of Recently Issued Accounting Standards

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

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

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

In June 2014, the FASB issued Accounting Standards Update No. 2014-11, Transfers and Servicing (Topic 860): Repurchase-to- Maturity Transactions, Repurchase Financings, and Disclosures ("ASU No. 2014-11"). ASU No. 2014-11 requires entities to account for repurchase-to-maturity transactions as secured borrowings, rather than as sales with forward repurchase agreements. In addition, the ASU eliminates accounting guidance on linked repurchase financing transactions. ASU No. 2014-11 also expands disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers accounted for as secured borrowings. ASU No. 2014-11 is effective for interim and annual periods beginning after December 15, 2014, with early application prohibited. The

adoption of the provisions of ASU No. 2014-11 is not expected to have a material impact on the company's financial position or results of operations.

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

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

Reclassification

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

2. Acquisitions

The company accounts for acquisitions using the acquisition method of accounting. The results of operations of acquisitions are included in the company's consolidated results from their respective dates of acquisition. The company allocates the purchase price of each acquisition to the tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. In certain circumstances, a portion of purchase price may be contingent upon the achievement of certain operating results. The fair values assigned to identifiable intangible assets acquired and contingent consideration were determined primarily by using an income approach which was based on assumptions and estimates made by management. Significant assumptions utilized in the income approach were based on company specific information and projections, which are not observable in the market and are thus considered Level 3 measurements by authoritative guidance (see Note 7). The excess of the purchase price over the fair value of the identified assets and liabilities has been recorded as goodwill. Any change in the estimated fair value of the net assets prior to the finalization of the allocation for acquisitions could change the amount of the purchase price allocable to goodwill. The company is not aware of any information that indicates the final purchase price allocations will differ materially from the preliminary estimates.

Recently Announced/Completed Acquisitions

In February 2015, the company acquired RDC, a wholly owned subsidiary of Computacenter UK Ltd., for a purchase price of approximately £58,000 (approximately $87,000). RDC is a leading technology returns and asset management company with operations within the EMEA region.

In January 2015, the company announced a cash tender offer to acquire all of the outstanding shares of Data Modul AG for approximately €94,000 (approximately $105,000). The acquisition is expected to close in early 2015.

2014 Acquisitions

During 2014, the company completed five acquisitions. The aggregate consideration paid for these acquisitions was $162,881, net of cash acquired, and included $5,853 of contingent consideration and $210 of other amounts withheld. The impact of these acquisitions was not material, individually or in the aggregate, to the company's consolidated financial position or results of operations. The pro forma impact of the 2014 acquisitions on the consolidated results of operations of the company for the years ended December 31, 2014 and 2013, as though the 2014 acquisitions occurred

on January 1 was also not material.

2013 Acquisitions

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

ComputerLinks sales for the year ended December 31, 2013 of $208,177 were included in the company's consolidated results of operations.

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

Accounts receivable, net	$177,700
Inventories	58,041
Other current assets	11,168
Property, plant, and equipment	7,070
Other assets	1,480
Identifiable intangible assets	39,195
Cost in excess of net assets acquired	275,442
Accounts payable	(213,456)
Accrued expenses	(51,270)
Other liabilities	(13,142)
Cash consideration paid, net of cash acquired	$292,228

In connection with the ComputerLinks acquisition, the company allocated the following amounts to identifiable intangible assets:

	Weighted-Average Life	
Customer relationships	9 years	$37,125
Other intangible assets	(a)	2,070
Total identifiable intangible assets		$39,195

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

The cost in excess of net assets acquired related to the ComputerLinks acquisition was recorded in the company's global ECS business segment. The intangible assets related to the ComputerLinks acquisition are not expected to be deductible for income tax purposes.

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

The following table summarizes the company's consolidated results of operations for 2013 and 2012, as well as the unaudited pro forma consolidated results of operations of the company, as though the 2013 acquisitions occurred on January 1, 2012:

	For the Years Ended December 31,			
	2013		2012	
	As Reported	Pro Forma	As Reported	Pro Forma
Sales	$21,357,285	$22,191,263	$20,405,128	$21,433,912
Net income attributable to shareholders	399,420	408,290	506,332	524,943
Net income per share:				
Basic	$3.89	$3.98	$4.64	$4.81

Diluted	$3.85	$3.94	$4.56	$4.73

The unaudited pro forma consolidated results of operations do not purport to be indicative of the results obtained had these acquisitions occurred as of the beginning of 2013 and 2012, or of those results that may be obtained in the future. Additionally, the above table does not reflect any anticipated cost savings or cross-selling opportunities expected to result from these acquisitions.

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2012 Acquisitions

During 2012, the company completed seven acquisitions. The aggregate consideration for these seven acquisitions was $289,782, net of cash acquired, and includes $10,390 of contingent consideration. The impact of these acquisitions was not material, individually or in the aggregate, to the company's consolidated financial position or results of operations. The pro forma impact of the 2012 acquisitions on the consolidated results of operations of the company for the year ended December 31, 2012, as though the 2012 acquisitions occurred on January 1 was also not material.

Other

During 2012, the company made a payment of $2,526 to increase its ownership interest in a majority-owned subsidiary. The payment was recorded as a reduction to capital in excess of par value, partially offset by the carrying value of the noncontrolling interest.

3. Cost in Excess of Net Assets of Companies Acquired and Intangible Assets, Net

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

As of the first day of the fourth quarters of 2014, 2013, and 2012, the company's annual impairment testing did not result in any indicators of impairment of cost in excess of net assets of companies acquired.

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

	Global Components	Global ECS	Total
Balance as of December 31, 2012 (a)	$957,916	$753,787	$1,711,703
Acquisitions	50,218	275,442	325,660
Foreign currency translation adjustment	(7,274)	9,204	1,930
Balance as of December 31, 2013 (a)	1,000,860	1,038,433	2,039,293
Acquisitions	63,077	47,974	111,051
Foreign currency translation adjustment	(12,154)	(68,981)	(81,135)
Balance as of December 31, 2014 (a)	$1,051,783	$1,017,426	$2,069,209

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

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

	Weighted-Average Life	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	indefinite	$101,000	$—	$101,000
Customer relationships	10 years	402,036	(171,071)	230,965

Developed technology	5 years	8,806	(5,444)	3,362
Other intangible assets	(b)	1,719	(1,335)	384
		$513,561	$(177,850)	$335,711

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

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The gross carrying value of trade names in the table above is reflected net of a $78,000 non-cash impairment charge recorded during the fourth quarter of 2014. In connection with the company's global re-branding initiative to brand certain of its businesses under the Arrow name, the company made the decision to discontinue the use of a trade name of one of its businesses within the global ECS business segment. As no future cash flows will be attributed to the impacted trade name, the entire book value was written-off, resulting in the non-cash impairment charge of $78,000 ($47,911 net of related taxes or $.49 and $.48 per share on a basic and diluted basis, respectively) as of December 31, 2014 in the company's consolidated statements of operations. Fair value was determined using unobservable (Level 3) inputs. The impairment charge did not impact the company’s consolidated cash flows, liquidity, capital resources, and covenants under its existing revolving credit facility, asset securitization program, and other outstanding borrowings. No impairment existed as of December 31, 2014 with respect to the company's other identifiable intangible assets.

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

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

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

Amortization expense related to identifiable intangible assets was $44,063 ($35,965 net of related taxes or $.36 per share on both a basic and diluted basis), $36,769 ($29,339 net of related taxes or $.29 and $.28 per share on a basic and diluted basis, respectively), and $36,508 ($29,336 net of related taxes or $.27 and $.26 per share on a basic and diluted basis, respectively) for the years ended December 31, 2014, 2013, and 2012, respectively. Amortization expense for each of the years 2015 through 2019 is estimated to be approximately $43,501, $41,627, $38,509, $32,892, and $26,462, respectively.

4. Investments in Affiliated Companies

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

The following table presents the company's investment in Marubun/Arrow and Altech Industries at December 31:

	2014	2013
Marubun/Arrow	$58,617	$54,672
Altech Industries	10,507	12,557
	$69,124	$67,229

The equity in earnings of affiliated companies for the years ended December 31 consists of the following:

	2014	2013	2012
Marubun/Arrow	$6,510	$6,386	$6,825
Altech Industries	808	1,043	1,287
	$7,318	$7,429	$8,112

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Under the terms of various joint venture agreements, the company is required to pay its pro-rata share of the third party debt of the joint ventures in the event that the joint ventures are unable to meet their obligations. At December 31, 2014, the company's pro-rata share of this debt was approximately $676. The company believes that there is sufficient equity in each of the joint ventures to meet their obligations.

5. Accounts Receivable

Accounts receivable, net, consists of the following at December 31:

	2014	2013
Accounts receivable	$6,103,038	$5,833,888
Allowances for doubtful accounts	(59,188)	(64,129)
Accounts receivable, net	$6,043,850	$5,769,759

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

6. Debt

At December 31, 2014 and 2013, short-term borrowings of $13,454 and $23,878, respectively, were primarily utilized to support the working capital requirements of certain international operations. The weighted-average interest rates on these borrowings at December 31, 2014 and 2013 were 3.8% and 4.5%, respectively.

Long-term debt consists of the following at December 31:

	2014	2013
Asset securitization program	$275,000	$420,000
3.375% notes, due 2015	252,275	255,004
6.875% senior debentures, due 2018	199,288	199,078
3.00% notes, due 2018	298,989	298,691
6.00% notes, due 2020	299,953	299,945
5.125% notes, due 2021	249,514	249,435
4.50% notes, due 2023	297,964	297,767
7.50% senior debentures, due 2027	198,310	198,170
Interest rate swaps designated as fair value hedges	378	—
Other obligations with various interest rates and due dates	3,782	8,042
	$2,075,453	$2,226,132

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

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The estimated fair market value at December 31, using quoted market prices, is as follows:

	2014	2013
3.375% notes, due 2015	$255,000	$260,000
6.875% senior debentures, due 2018	232,000	228,000
3.00% notes, due 2018	309,000	300,000
6.00% notes, due 2020	339,000	330,000
5.125% notes, due 2021	277,500	260,000
4.50% notes, due 2023	321,000	291,000
7.50% senior debentures, due 2027	254,000	232,000

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

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

The company has an asset securitization program collateralized by accounts receivable of certain of its subsidiaries. In March 2014, the company amended its asset securitization program and, among other things, increased its borrowing capacity from $775,000 to $900,000 and extended its term to mature in March 2017. The asset securitization program is conducted through Arrow Electronics Funding Corporation ("AFC"), a wholly-owned, bankruptcy remote subsidiary. The asset securitization program does not qualify for sale treatment. Accordingly, the accounts receivable and related debt obligation remain on the company's consolidated balance sheets. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread (.40% at December 31, 2014), which is based on the company's credit ratings, or an effective interest rate of .55% at December 31, 2014. The facility fee is .40%.

At December 31, 2014 and 2013, the company had $275,000 and $420,000, respectively, in outstanding borrowings under the asset securitization program, which was included in "Long-term debt" in the company's consolidated balance sheets, and total collateralized accounts receivable of approximately $2,060,589 and $1,867,552, respectively, were held by AFC and were included in "Accounts receivable, net" in the company's consolidated balance sheets. Any accounts receivable held by AFC would likely not be available to other creditors of the company in the event of bankruptcy or insolvency proceedings before repayment of any outstanding borrowings under the asset securitization program.

Both the revolving credit facility and asset securitization program include terms and conditions that limit the incurrence of additional borrowings and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of December 31, 2014 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

Annual payments of borrowings during each of the years 2015 through 2019 are $265,729, $2,411, $276,258, $498,385, and $0, respectively, and $1,046,123 for all years thereafter.

In April 2014, the company entered into an agreement for an uncommitted line of credit. In September 2014, the company amended its uncommitted line of credit to increase its borrowing capacity from $70,000 to $100,000. There were no outstanding borrowings under the uncommitted line of credit at December 31, 2014.

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

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

Interest and other financing expense, net, includes interest and dividend income of $5,552, $5,632, and $5,779 in 2014, 2013, and 2012, respectively. Interest paid, net of interest and dividend income, amounted to $120,477, $116,663, and $113,628 in 2014, 2013, and 2012, respectively.

7. Financial Instruments Measured at Fair Value

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

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

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

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

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

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

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The following table summarizes the Level 3 activity for the year ended December 31, 2014:

Balance as of December 31, 2013	$(5,845)
Fair value of initial contingent consideration	(5,853)
Change in fair value of contingent consideration included in earnings	2,976
Payment of contingent consideration	1,499
Foreign currency translation adjustment	1,021
Balance as of December 31, 2014	$(6,202)

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

Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to our trade names. The company tests these assets for impairment if indicators of potential impairment exist.

During the fourth quarter of 2014, in connection with the company's global re-branding initiative to brand certain of its businesses under the Arrow name, the company made the decision to discontinue the use of a trade name of one of its businesses within the global ECS business segment. As no future cash flows will be attributed to the impacted trade name, the entire book value was written-off, resulting in a non-cash impairment charge of $78,000 ($47,911 net of related taxes or $.49 and $.48 per share on a basic and diluted basis, respectively) as of December 31, 2014 in the company's consolidated statements of operations. Fair value was determined using unobservable (Level 3) inputs. The impairment charge did not impact the company’s consolidated cash flows, liquidity, capital resources, and covenants under its existing revolving credit facility, asset securitization program, and other outstanding borrowings. No impairment existed as of December 31, 2014 with respect to the company's other identifiable intangible assets.

During 2014, 2013, and 2012 there were no transfers of assets (liabilities) measured at fair value between the three levels of the fair value hierarchy.

Available-For-Sale Securities

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

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

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

	2014	
	Marubun	Mutual Funds
Cost basis	$10,016	$16,233
Unrealized holding gain	6,174	5,686
Fair value	$16,190	$21,919

	2013		
	Marubun	WPG	Mutual Funds

Cost basis	$10,016	$10,798	$15,614
Unrealized holding gain	2,709	24,903	5,817
Fair value	$12,725	$35,701	$21,431

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

Derivative Instruments

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

Interest Rate Swaps

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

In April 2014, the company entered into an interest rate swap, with a notional amount of $50,000. This swap modifies the company's interest rate exposure by effectively converting a portion of the fixed 6.00% notes to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective interest rate of 4.23% at December 31, 2014), through its maturity. The swap is classified as a fair value hedge and had a fair value of $381 at December 31, 2014.

In April 2014, the company entered into an interest rate swap, with a notional amount of $50,000. This swap modifies the company's interest rate exposure by effectively converting a portion of the fixed 6.875% senior debentures to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective interest rate of 5.63% at December 31, 2014), through its maturity. The swap is classified as a fair value hedge and had a negative fair value of $3 at December 31, 2014.

In September 2011, the company entered into a ten-year forward-starting interest rate swap (the "2011 swap") which locked in a treasury rate of 2.63% on an aggregate notional amount of $175,000. This swap managed the risk associated with changes in treasury rates and the impact of future interest payments. The 2011 swap related to the interest payments for anticipated debt issuances to replace the company's 6.875% senior notes due to mature in July 2013. The 2011 swap is classified as a cash flow hedge. During 2013, the company paid $7,700 to terminate the 2011 swap upon issuance of the ten-year notes due in 2023. The fair value of the 2011 swap is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive income" and is being reclassified into income over the ten-year term of the notes due in 2023. For the 2011 swap, the company reclassified into income $(656) and $(245) in 2014 and 2013, respectively.

In December 2010, the company entered into interest rate swaps, with an aggregate notional amount of $250,000. The swaps modified the company's interest rate exposure by effectively converting the fixed 3.375% notes due in

November 2015 to a floating rate, based on the three-month U.S. dollar LIBOR plus a spread, through its maturity. In September 2011, these interest rate swap agreements were terminated for proceeds of $11,856, net of accrued interest. The proceeds of the swap terminations, less accrued interest, were reflected as a premium to the underlying debt and are being amortized as a reduction to interest expense over the remaining term of the underlying debt.

In June 2004 and November 2009, the company entered into interest rate swaps, with an aggregate notional amount of $275,000. The swaps modified the company's interest rate exposure by effectively converting a portion of the fixed 6.875% senior notes due in July 2013 to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread, through its maturity. In September 2011, these interest rate swap agreements were terminated for proceeds of $12,203, net of accrued interest. The proceeds of the swap terminations, less accrued interest, were reflected as a premium to the underlying debt and were amortized as a reduction to interest expense over the term of the underlying debt.

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Foreign Exchange Contracts

The company enters into foreign exchange forward, option, or swap contracts (collectively, the "foreign exchange contracts") to mitigate the impact of changes in foreign currency exchange rates. These contracts are executed to facilitate the hedging of foreign currency exposures resulting from inventory purchases and sales and generally have terms of no more than six months. Gains or losses on these contracts are deferred and recognized when the underlying future purchase or sale is recognized or when the corresponding asset or liability is revalued. The company does not enter into foreign exchange contracts for trading purposes. The risk of loss on a foreign exchange contract is the risk of nonperformance by the counterparties, which the company minimizes by limiting its counterparties to major financial institutions. The fair value of the foreign exchange contracts are estimated using market quotes. The notional amount of the foreign exchange contracts at December 31, 2014 and 2013 was $401,048 and $445,684, respectively.

The fair values of derivative instruments in the consolidated balance sheets are as follows at December 31:

	Asset (Liability) Derivatives		
		Fair Value	
	Balance Sheet Location	2014	2013
Derivative instruments designated as hedges:			
Interest rate swaps designated as fair value hedges	Other liabilities	$(3)	$—
Interest rate swaps designated as fair value hedges	Other assets	381	—
Foreign exchange contracts designated as cash flow hedges	Other current assets	960	368
Foreign exchange contracts designated as cash flow hedges	Accrued expenses	(376)	(203)
Total derivative instruments designated as hedging instruments		962	165
Derivative instruments not designated as hedges:			
Foreign exchange contracts	Other current assets	2,404	1,275
Foreign exchange contracts	Accrued expenses	(2,294)	(2,094)
Total derivative instruments not designated as hedging instruments		110	(819)
Total		$1,072	$(654)

The effect of derivative instruments on the consolidated statements of operations is as follows for the years ended December 31:

	Gain (Loss) Recognized in Income		
	2014	2013	2012
Fair value hedges:			
Interest rate swaps (a)	$—	$—	$—
Total	$—	$—	$—
Derivative instruments not designated as hedges:			
Foreign exchange contracts (b)	$(793)	$(144)	$(3,777)
Total	$(793)	$(144)	$(3,777)

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	Cash Flow Hedges	
	Interest Rate Swaps (c)	Foreign Exchange Contracts (d)
2014		
Effective portion:		
Gain recognized in other comprehensive income	$—	$412
Loss reclassified into income	$(656)	$(402)
Ineffective portion:		
Gain (loss) recognized in income	$—	$—
2013		
Effective portion:		
Gain (loss) recognized in other comprehensive income	$3,132	$(243)
Gain (loss) reclassified into income	$(537)	$439
Ineffective portion:		
Gain (loss) recognized in income	$292	$—
2012		
Effective portion:		
Gain (loss) recognized in other comprehensive income	$(7,823)	$1,012
Gain (loss) reclassified into income	$—	$(54)
Ineffective portion:		
Gain (loss) recognized in income	$—	$—

(a) The amount of gain (loss) recognized in income on derivatives is recorded in "Interest and other financing expense, net" in the company's consolidated statements of operations.

(b) The amount of gain (loss) recognized in income on derivatives is recorded in "Cost of sales" in the company's consolidated statements of operations.

(c) Both the effective and ineffective portions of any gain (loss) reclassified or recognized in income are recorded in "Interest and other financing expense, net" in the company's consolidated statements of operations.

(d) Both the effective and ineffective portions of any gain (loss) reclassified or recognized in income are recorded in "Cost of sales" in the company's consolidated statements of operations.

Contingent Consideration

The company estimates the fair value of contingent consideration as the present value of the expected contingent payments, determined using the weighted probability of possible payments. The company reassesses the fair value of contingent consideration on a quarterly basis. Contingent consideration was recorded in connection with three acquisitions prior to 2014 and one acquisition in 2014. For the acquisitions prior to 2014, payment of a portion of the respective purchase price is contingent upon the achievement of certain operating results, with a maximum possible payout of $6,000 over a two-year period and $5,400 at the end of a three-year period. For the 2014 acquisition, a payment of $1,499 was made during the fourth quarter to settle all obligations under the contingent consideration arrangement. Contingent consideration of $3,000 and $3,202 was included in "Accrued expenses" and "Other liabilities" in the company's consolidated balance sheet as of December 31, 2014, respectively. Contingent consideration of $2,123 and $3,722 was included in "Accrued expenses" and "Other liabilities" in the company's

consolidated balance sheet as of December 31, 2013, respectively. A twenty percent increase or decrease in projected operating performance over the remaining

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performance period would not result in a material change in the fair value of the contingent consideration recorded as of December 31, 2014.

Other

Cash equivalents consist of overnight time deposits with quality financial institutions. These financial institutions are located in many different geographical regions, and the company's policy is designed to limit exposure with any one institution. As part of its cash and risk management processes, the company performs periodic evaluations of the relative credit standing of these financial institutions.

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

8. Income Taxes

The provision for income taxes for the years ended December 31 consists of the following:

	2014	2013	2012
Current:			
Federal	$101,857	$85,173	$134,276
State	20,123	15,845	22,072
International	88,707	81,052	52,708
	210,687	182,070	209,056
Deferred:			
Federal	(1,097)	22,973	9,690
State	(2,071)	2,438	2,572
International	(22,576)	(25,138)	(17,676)
	(25,744)	273	(5,414)
	$184,943	$182,343	$203,642

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:

	2014	2013	2012
United States	$317,400	$326,990	$441,526
International	365,933	255,229	268,833
Income before income taxes	$683,333	$582,219	$710,359
Provision at statutory tax rate	$239,166	$203,777	$248,626
State taxes, net of federal benefit	11,734	11,885	16,019
International effective tax rate differential	(56,865)	(22,059)	(43,008)
Change in valuation allowance	(7,803)	(8,253)	(6,266)
Other non-deductible expenses	4,040	2,840	2,764
Changes in tax accruals	1,335	(1,336)	(10,613)
Other	(6,664)	(4,511)	(3,880)
Provision for income taxes	$184,943	$182,343	$203,642

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Explanation of Responses:

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During 2013, the company recorded an increase in the provision for income taxes, inclusive of penalties, of $20,809 ($.20 per share on both a basic and diluted basis) and interest expense of $1,623 ($1,236 net of related taxes or $.01 per share on both a basic and diluted basis) relating to the settlement of certain international tax matters.

At December 31, 2014, the company had a liability for unrecognized tax benefits of $44,701 (substantially all of which, if recognized, would favorably affect the company's effective tax rate), of which approximately $125 is expected to be paid over the next twelve months. The company does not believe there will be any other material changes in its unrecognized tax positions over the next twelve months.

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

	2014	2013	2012
Balance at beginning of year	$45,987	$46,980	$63,498
Additions based on tax positions taken during a prior period	3,792	22,170	448
Reductions based on tax positions taken during a prior period	(7,737)	(3,684)	(11,824)
Additions based on tax positions taken during the current period	5,518	7,593	8,014
Reductions related to settlement of tax matters	(317)	(24,450)	(8,288)
Reductions related to a lapse of applicable statute of limitations	(2,542)	(2,622)	(4,868)
Balance at end of year	$44,701	$45,987	$46,980

Interest costs related to unrecognized tax benefits are classified as a component of "Interest and other financing expense, net" in the company's consolidated statements of operations. In 2014, 2013, and 2012 the company recognized $1,570, $267, and $18, respectively, of interest expense related to unrecognized tax benefits. At December 31, 2014 and 2013, the company had a liability for the payment of interest of $12,173 and $10,637, respectively, related to unrecognized tax benefits.

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, 2014:

United States - Federal	2011 - present
United States - States	2008 - present
Germany (a)	2010 - present
Hong Kong	2008 - present
Italy (a)	2008 - present
Sweden	2008 - present
United Kingdom	2012 - 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 "Other current assets," "Other assets," "Accrued expenses," and "Other liabilities" in the company's consolidated balance sheets, consist of the following at December 31:

	2014	2013
Deferred tax assets:		
Net operating loss carryforwards	$113,414	$112,584
Inventory adjustments	42,635	43,009
Allowance for doubtful accounts	16,055	16,513
Accrued expenses	56,178	52,664
Interest carryforward	34,558	44,917
Stock-based compensation awards	11,010	11,507
Other comprehensive income items	19,885	6,206
Other	1,083	1,470
	294,818	288,870
Valuation allowance	(8,353)	(16,156)
Total deferred tax assets	$286,465	$272,714
Deferred tax liabilities:		
Goodwill	$(81,716)	$(54,261)
Depreciation	(78,151)	(65,309)
Intangible assets	(30,372)	(66,919)
Total deferred tax liabilities	$(190,239)	$(186,489)
Total net deferred tax assets	$96,226	$86,225

At December 31, 2014, the company had international tax loss carryforwards of approximately $346,852, of which $22,516 have expiration dates ranging from 2015 to 2033, and the remaining $324,336 have no expiration date. Deferred tax assets related to these international tax loss carryforwards were $93,318 with a corresponding valuation allowance of $3,858.

The company also has Federal net operating loss carryforwards of approximately $51,151 at December 31, 2014 which relate to acquired subsidiaries. These Federal net operating losses expire in various years beginning after 2020. The company has an agreement with the sellers of an acquired business to reimburse them for the company's utilization of certain Federal net operating loss carryforwards.

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 $2,947,255 at December 31, 2014. No deferred 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 $223,909, $235,102, and $179,408 in 2014, 2013, and 2012, respectively.

9. Restructuring, Integration, and Other Charges

In 2014, 2013, and 2012, the company recorded restructuring, integration, and other charges of $39,841 ($29,324 net of related taxes or $.30 and $.29 per share on a basic and diluted basis, respectively), $92,650 ($65,601 net of related taxes or $.64 and $.63 per share on a basic and diluted basis, respectively), and $47,437 ($30,739 net of related taxes or $.28 per share on both a basic and diluted basis), respectively.

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The following table presents the components of the restructuring, integration, and other charges for the years ended December 31:

	2014	2013	2012
Restructuring and integration charge - current period actions	$38,347	$79,921	$43,333
Restructuring and integration charges - actions taken in prior periods	1,130	794	1,387
Acquisition-related expenses	364	11,935	2,717
	$39,841	$92,650	$47,437

2014 Restructuring and Integration Charge

The following table presents the components of the 2014 restructuring and integration charge of $38,347 and activity in the related restructuring and integration accrual for 2014:

	Personnel Costs	Facilities Costs	Other	Total
Restructuring and integration charge	$29,268	$5,591	$3,488	$38,347
Payments	(20,172)	(3,082)	(1,511)	(24,765)
Non-cash usage	—	—	(729)	(729)
Foreign currency translation	(474)	(30)	(1)	(505)
Balance as of December 31, 2014	$8,622	$2,479	$1,247	$12,348

The restructuring and integration charge of $38,347 in 2014 includes personnel costs of $29,268, facilities costs of $5,591, and other costs of $3,488. These restructuring initiatives are due to the company's continued efforts to lower cost and drive operational efficiency. Integration costs are primarily related to the integration of acquired businesses within the company's pre-existing business and the consolidation of certain operations.

2013 Restructuring and Integration Charge

The following table presents the components of the 2013 restructuring and integration charge of $79,921 and activity in the related restructuring and integration accrual for 2013 and 2014:

	Personnel Costs	Facilities Costs	Other	Total
Restructuring and integration charge	$66,233	$12,586	$1,102	$79,921
Payments	(41,350)	(6,870)	—	(48,220)
Non-cash usage	—	—	(895)	(895)
Foreign currency translation	838	92	1	931
Balance as of December 31, 2013	25,721	5,808	208	31,737
Restructuring and integration charge (credit)	(716)	2,033	—	1,317
Payments	(22,557)	(5,492)	(103)	(28,152)
Foreign currency translation	(374)	(69)	(14)	(457)
Balance as of December 31, 2014	$2,074	$2,280	$91	$4,445

The restructuring and integration charge of $79,921 in 2013 includes personnel costs of $66,233, facilities costs of $12,586, and other costs of $1,102. These restructuring initiatives are due to the company's continued efforts to lower cost and drive operational efficiency. Integration costs are primarily related to the integration of acquired businesses within the company's pre-existing business and the consolidation of certain operations.

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Restructuring and Integration Accruals Related to Actions Taken Prior to 2013

Included in restructuring, integration, and other charges for 2014 are restructuring and integration charges (credits) of $(187) related to restructuring and integration actions taken prior to 2013. The restructuring and integration charge includes adjustments to personnel costs of $(184) and facilities costs of $(3). The restructuring and integration accruals related to actions taken prior to 2013 of $1,190, include accruals for personnel costs of $445, accruals for facilities costs of $745.

Restructuring and Integration Accrual Summary

In summary, the restructuring and integration accruals aggregate $17,983 at December 31, 2014, all of which are expected to be spent in cash, and are expected to be utilized as follows:

- The accruals for personnel costs totaling $11,141 relate to the termination of personnel and are primarily expected to be spent within one year.

- The accruals for facilities totaling $5,504 relate to vacated leased properties that have scheduled payments of $4,265 in 2015, $916 in 2016, $134 in 2017, and $189 in 2018.

- Other accruals of $1,338 are expected to be spent within one year.

Acquisition-Related Expenses

Included in restructuring, integration, and other charges for 2014 are acquisition-related expenses of $364, primarily consisting of changes in the fair value of contingent consideration and professional fees directly related to recent acquisition activity, offset, in part, by an insurance recovery related to environmental matters in connection with the Wyle Electronics ("Wyle") acquisition.

Included in restructuring, integration, and other charges for 2013 are acquisition-related expenses of $11,935, primarily consisting of charges related to contingent consideration for acquisitions completed in prior years which were conditional upon the financial performance of the acquired companies and the continued employment of the selling shareholders, as well as professional fees directly related to recent acquisition activity.

Included in restructuring, integration, and other charges for 2012 are acquisition-related expenses of $2,717, primarily consisting of charges related to contingent consideration for acquisitions completed in prior years which were conditional upon the financial performance of the acquired companies and the continued employment of the selling shareholders, as well as professional fees directly related to recent acquisition activity, net of adjustments for changes in the fair value of contingent consideration of $9,584 which were conditional upon the financial performance of the acquired companies.

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10. Shareholders' Equity

Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in the balances of each component of accumulated other comprehensive income (loss):

	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Investment Securities, Net	Unrealized Gain (Loss) on Interest Rate Swaps Designated as Cash Flow Hedges, Net	Employee Benefit Plan Items, Net	Total
Balance as of December 31, 2012	$182,632	$19,617	$(6,669)	$(50,443)	$145,137
Other comprehensive income before reclassifications (a)	66,232	1,027	1,923	8,647	77,829
Amounts reclassified into income	(439)	—	152	2,873	2,586
Net change in accumulated other comprehensive income for the year ended December 31, 2013	65,793	1,027	2,075	11,520	80,415
Balance as of December 31, 2013	248,425	20,644	(4,594)	(38,923)	225,552
Other comprehensive income (loss) before reclassifications (a)	(265,432)	5,344	—	(14,630)	(274,718)
Amounts reclassified into income	402	(18,269)	403	2,013	(15,451)
Net change in accumulated other comprehensive income (loss) for the year ended December 31, 2014	(265,030)	(12,925)	403	(12,617)	(290,169)
Balance as of December 31, 2014	$(16,605)	$7,719	$(4,191)	$(51,540)	$(64,617)

(a) Foreign currency translation adjustment includes intra-entity foreign currency transactions that are of a long-term investment nature of $57,109 and $(17,557) for 2014 and 2013, respectively.

Common Stock Outstanding Activity

The following table sets forth the activity in the number of shares outstanding (in thousands):

	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Common stock outstanding at December 31, 2011	125,382	13,568	111,814
Shares issued for stock-based compensation awards	42	(1,326)	1,368
Repurchases of common stock	—	7,181	(7,181)
Common stock outstanding at December 31, 2012	125,424	19,423	106,001
Shares issued for stock-based compensation awards	—	(2,772)	2,772
Repurchases of common stock	—	8,837	(8,837)
Common stock outstanding at December 31, 2013	125,424	25,488	99,936

Shares issued for stock-based compensation awards	—	(1,506)	1,506
Repurchases of common stock	—	5,547	(5,547)
Common stock outstanding at December 31, 2014	125,424	29,529	95,895

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, 2014 and 2013.

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Share-Repurchase Programs

In July 2013, the company's Board of Directors (the "Board") approved the repurchase of up to $200,000 of the company's common stock through a share-repurchase program. In 2014, the company's Board approved an additional repurchase of up to $400,000 ($200,000 in May and December, respectively) of the company's common stock. As of December 31, 2014, the company repurchased 6,227,341 shares under these programs with a market value of $338,756 at the dates of repurchase, of which 2,189,966 shares with a market value of $115,197 were repurchased during the fourth quarter of 2014.

11. Net Income Per Share

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

	2014	2013	2012
Net income attributable to shareholders	$498,045	$399,420	$506,332
Weighted-average shares outstanding - basic	98,675	102,559	109,240
Net effect of various dilutive stock-based compensation awards	1,272	1,140	1,837
Weighted-average shares outstanding - diluted	99,947	103,699	111,077
Net income per share:			
Basic	$5.05	$3.89	$4.64
Diluted (a)	$4.98	$3.85	$4.56

(a) Stock-based compensation awards for the issuance of 294 shares, 874 shares, and 1,424 shares for the years ended December 31, 2014, 2013, and 2012, respectively, were excluded from the computation of net income 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 provides an 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.

Under the terms of the Omnibus Plan, a maximum of 21,800,000 shares of common stock may be awarded, subject to adjustment. There were 3,228,748 and 4,405,137 shares available for grant under the Omnibus Plan as of December 31, 2014 and 2013, respectively. Generally, shares are counted against the authorization only to the extent that they are issued. Restricted stock, restricted stock units, performance shares, and performance units count against the authorization at a rate of 1.69 to 1.

Stock Options

Under the Omnibus Plan, the company may grant both ISOs and non-qualified stock options. ISOs may only be granted to employees of the company, its subsidiaries, and its 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 generally become exercisable in equal installments over a four-year period. Options currently outstanding have terms of ten years.

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The following information relates to the stock option activity for the year ended December 31, 2014:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2013	2,228,108	$ 35.92		
Granted	355,869	57.02		
Exercised	(655,706)	33.23		
Forfeited	(67,578)	42.58		
Outstanding at December 31, 2014	1,860,693	40.67	76 months	$ 32,128
Exercisable at December 31, 2014	905,258	34.37	54 months	$ 21,289

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 2014 and the exercise price, multiplied by the number of in-the-money options) received by the option holders had all option holders exercised their options on December 31, 2014. This amount changes based on the market value of the company's stock.

The total intrinsic value of options exercised during 2014, 2013, and 2012 was $15,360, $16,345, and $7,675, respectively.

Cash received from option exercises during 2014, 2013, and 2012 was $21,788, $36,014, and $13,372, 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 2014, 2013, and 2012 was $18,718, $21,882, and $11,842, respectively.

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:

	2014	2013	2012
Volatility (percent) (a)	37	41	39
Expected term (in years) (b)	5.3	5.4	5.3
Risk-free interest rate (percent) (c)	1.6	1.0	1.0

(a) Volatility is measured using historical daily price changes of the company's common stock over the expected term of the option.
(b) 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.
(c) 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 $20.32, $15.83, and $15.20 during 2014, 2013, and 2012, respectively.

Performance Awards

The Compensation Committee, subject to the terms and conditions of the Omnibus Plan, may grant performance share and/or performance unit awards (collectively "performance awards"). The fair value of a performance 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 awards 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 175%

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of the initial award. Compensation expense is recognized using the graded vesting method over the three-year service period 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 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 selection or appointment of an individual to the Board as a non-employee director. Non-employee directors currently receive annual awards of fully-vested restricted stock units valued at $130. All restricted stock units are settled in common stock following the director's separation from the Board.

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 termination of Board service, 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, performance units, restricted stock, and restricted stock units for 2014:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested shares at December 31, 2013	2,086,419	$ 39.65
Granted	671,865	54.77
Vested	(840,204)	38.33
Forfeited	(153,808)	42.67
Non-vested shares at December 31, 2014	1,764,272	45.78

The total fair value of shares vested during 2014, 2013, and 2012 was $47,583, $59,876, and $34,593, respectively.

As of December 31, 2014, there was $41,229 of total unrecognized compensation cost related to non-vested shares and stock options which is expected to be recognized over a weighted-average period of 2.2 years.

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13. Employee Benefit Plans

The company maintains an unfunded Arrow supplemental executive retirement plan ("SERP") under which the company will pay supplemental pension benefits to certain employees upon retirement. As of December 31, 2014, there were 9 current and 19 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, 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.

Additionally, as part of the company's acquisition of Wyle in 2000, Wyle provided retirement benefits for certain employees under a defined benefit plan. Benefits under this plan were frozen as of December 31, 2000.

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Explanation of Responses:

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

	Arrow SERP		Wyle Defined Benefit Plan	
	2014	2013	2014	2013
Accumulated benefit obligation	$76,261	$67,320	$136,298	$126,481
Changes in projected benefit obligation:				
Projected benefit obligation at beginning of year	$75,312	$73,327	$126,481	$128,771
Service cost	1,330	2,126	—	—
Interest cost	3,280	2,846	5,491	5,038
Actuarial loss (gain)	8,668	301	10,206	(1,158)
Benefits paid	(3,476)	(3,288)	(5,880)	(6,170)
Projected benefit obligation at end of year	$85,114	$75,312	$136,298	$126,481
Changes in plan assets:				
Fair value of plan assets at beginning of year	$—	$—	$104,714	$92,976
Actual return on plan assets	—	—	2,264	17,608
Company contributions	—	—	4,500	300
Benefits paid	—	—	(5,880)	(6,170)
Fair value of plan assets at end of year	$—	$—	$105,598	$104,714
Funded status	$(85,114)	$(75,312)	$(30,700)	$(21,767)
Amounts recognized in the company's consolidated balance sheets:				
Current liabilities	$(3,700)	$(3,531)	$—	$—
Noncurrent liabilities	(81,414)	(71,781)	(30,700)	(21,767)
Net liabilities at end of year	$(85,114)	$(75,312)	$(30,700)	$(21,767)
Components of net periodic pension cost:				
Service cost	$1,330	$2,126	$—	$—
Interest cost	3,280	2,846	5,491	5,038
Expected return on plan assets	—	—	(7,066)	(6,516)
Amortization of net loss	1,997	2,707	1,270	1,956
Amortization of prior service cost	42	42	—	—
Net periodic pension cost	$6,649	$7,721	$(305)	$478
Weighted-average assumptions used to determine benefit obligation:				
Discount rate	4.00%	4.50%	4.00%	4.50%
Rate of compensation increase	5.00%	5.00%	N/A	N/A
Expected return on plan assets	N/A	N/A	6.75%	6.75%
Weighted-average assumptions used to determine net periodic pension cost:				
Discount rate	4.50%	4.00%	4.50%	4.00%
Rate of compensation increase	5.00%	5.00%	N/A	N/A
Expected return on plan assets	N/A	N/A	6.75%	7.25%

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 expected return on plan assets is

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based on current and expected asset allocations, historical trends, and projected returns on those 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.

Benefit payments are expected to be paid as follows:

	Arrow SERP	Wyle Defined Benefit Plan
2015	$3,766	$6,657
2016	3,877	6,861
2017	3,837	6,976
2018	4,360	7,042
2019	5,763	7,235
2020-2024	28,390	38,452

The company makes contributions to the Wyle defined benefit plan so that minimum contribution requirements, as determined by government regulations, are met. The company made contributions of $4,500 and $300 in 2014 and 2013, respectively. The company does not expect to make contributions in 2015.

The fair values of the company's pension plan assets for the Wyle defined benefit plan at December 31, 2014, utilizing the fair value hierarchy discussed in Note 7, are as follows:

	Level 1	Level 2	Level 3	Total
Equities:				
U.S. common stocks	$44,100	$—	$—	$44,100
International mutual funds	14,873	—	—	14,873
Index mutual funds	16,477	—	—	16,477
Fixed Income:				
Mutual funds	29,134	—	—	29,134
Insurance contracts	—	1,014	—	1,014
Total	$104,584	$1,014	$—	$105,598

The fair values of the company's pension plan assets for the Wyle defined benefit plan at December 31, 2013, utilizing the fair value hierarchy discussed in Note 7, are as follows:

	Level 1	Level 2	Level 3	Total
Equities:				
U.S. common stocks	$42,638	$—	$—	$42,638
International mutual funds	15,276	—	—	15,276
Index mutual funds	15,482	—	—	15,482
Fixed Income:				
Mutual funds	27,827	—	—	27,827
Insurance contracts	—	3,491	—	3,491
Total	$101,223	$3,491	$—	$104,714

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

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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.

Comprehensive Income Items

In 2014, 2013, and 2012, actuarial (gains) losses of $14,901, $(7,615), and $9,120, respectively, were recognized in comprehensive income, net of related taxes, related to the company's defined benefit plans. In 2014, 2013, and 2012, 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: prior service cost of $19, $19, and $19, respectively and an actuarial loss of $1,994, $2,854, and $2,311, respectively.

Included in accumulated other comprehensive loss at December 31, 2014 and 2013 are the following amounts, net of related taxes, that have not yet been recognized in net periodic pension cost: unrecognized prior service costs (credits) of $(12) and $7, respectively, and unrecognized actuarial losses of $49,491 and $36,584, respectively.

The 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, 2015 are $9 and $2,945, respectively.

Stock Ownership Plan

Effective December 31, 2012, the company froze its noncontributory employee stock ownership plan to new participants and no further contributions were made by the company on behalf of participants in the plan. The account balances of participants in the plan as of December 31, 2012 became fully vested. The plan enabled most United States employees to acquire shares of the company's common stock. Contributions, which were determined by the Board, were in the form of common stock or cash, which was used to purchase the company's common stock for the benefit of participating employees. Contributions to the plan in 2012 were $5,966.

Defined Contribution Plan

The company has defined contribution plans for eligible employees, which qualify under Section 401(k) of the Internal Revenue Code. The company's contribution to the plans, which are based on a specified percentage of employee contributions, amounted to $12,584, $14,102, and $14,014 in 2014, 2013, and 2012, respectively. In lieu of contributions to the employee stock ownership plan, which was frozen on December 31, 2012 as described above, the company made discretionary contributions to the company's defined benefit 401(k) plan, which amounted to $7,139 and $7,403 in 2014 and 2013, respectively. Certain international subsidiaries maintain separate defined contribution plans for their employees and made contributions thereunder, which amounted to $27,284, $26,038, and $23,990 in 2014, 2013, and 2012, respectively.

14. Lease Commitments

The company leases certain office, distribution, and other property under non-cancelable operating leases expiring at various dates through 2026. Rental expense under non-cancelable operating leases, net of sublease income, amounted to $77,392, $79,966, and $79,104 in 2014, 2013, and 2012, 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:

2015	$61,466
2016	45,720
2017	33,389
2018	18,406
2019	12,889
Thereafter	16,902

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15. Contingencies

2012 Settlement of Legal Matter

In connection with the purchase of Wyle in August 2000, the company acquired certain of the then outstanding obligations of Wyle, including Wyle's indemnification obligations to the purchasers of its Wyle Laboratories division for environmental clean-up costs associated with any then existing contamination or violation of environmental regulations. Under the terms of the company's purchase of Wyle from the sellers, the sellers agreed to indemnify the company for certain costs associated with the Wyle environmental obligations, among other things. During 2012, the company entered into a settlement agreement with the sellers pursuant to which the sellers paid $110,000 and the company released the sellers from their indemnification obligation. In connection with this settlement, the company recorded a gain on the settlement of legal matters of $79,158 ($48,623 net of related taxes or $.45 and $.44 per share on a basic and diluted basis, respectively) representing the difference between the settlement amount and the amount receivable from the sellers for reimbursement of costs incurred by the company. As part of the settlement agreement the company accepted responsibility for any potential subsequent costs incurred related to the Wyle matters. The company is aware of two Wyle Laboratories facilities (in Huntsville, Alabama and Norco, California) at which contaminated groundwater was identified and will require environmental remediation. In addition, the company was named as a defendant in several lawsuits related to the Norco facility and a third site in El Segundo, California which have now been settled to the satisfaction of the parties.

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

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

As successor-in-interest to Wyle, the company is the beneficiary of various Wyle insurance policies that covered liabilities arising out of operations at Norco and Huntsville. To date, the company has recovered approximately $37,000 from certain insurance carriers relating to environmental clean-up matters at the Norco site. The company is considering the best way to pursue its potential claims against insurers regarding liabilities arising out of operations at Huntsville. The resolution of these matters will likely take several years. The company has not recorded a receivable for any potential future insurance recoveries related to the Norco and Huntsville environmental matters, as the realization of the claims for recovery are not deemed probable at this time.

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

Environmental Matters - Huntsville

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

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

Environmental Matters - Norco

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

Approximately $47,000 was spent to date on remediation, project management, regulatory oversight, and investigative and feasibility study activities. The company currently estimates that these activities will give rise to an additional $16,490 to $24,500. Project management and regulatory oversight include costs incurred by project consultants for project management and costs billed by DTSC to provide regulatory oversight.

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

Tekelec Matter

In 2000, the company purchased Tekelec Europe SA ("Tekelec") from Tekelec Airtronic SA and certain other selling shareholders. Subsequent to the closing of the acquisition, Tekelec received a product liability claim in the amount of €11,333. The product liability claim was the subject of a French legal proceeding started by the claimant in 2002, under which separate determinations were made as to whether the products that are subject to the claim were defective and the amount of damages sustained by the purchaser. The manufacturer of the products also participated in this proceeding. The claimant has commenced legal proceedings against Tekelec and its insurers to recover damages in the amount of €3,742 and expenses of €312 plus interest. In May 2012, the French court ruled in favor of Tekelec and dismissed the plaintiff's claims. In January 2015, the Court of Appeals confirmed the French court's ruling; however, the ruling remains subject to a final appeal by the plaintiff. The company believes that any amount in addition to the amount accrued by the company would not materially adversely impact the company's consolidated financial position, liquidity, or results of operations.

Antitrust Investigation
On January 21, 2014, the company received a Civil Investigative Demand in connection with an investigation by the Federal Trade Commission ("FTC") relating generally to the use of a database program (the “database program”) that has operated for more than ten years under the auspices of the Global Technology Distribution Council ("GTDC"), a trade group of which the company is a member. Under the database program, certain members of the GTDC who

participate in the program provide sales data to a third party independent contractor chosen by the GTDC. The data is aggregated by the third party and the aggregated data is made available to the program participants. The company understands that other members participating in the database program have received similar Civil Investigative Demands.

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

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(Dollars in thousands except per share data)

Other

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

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 provides enterprise computing solutions to value-added resellers through its global ECS business segment. As a result of the company's philosophy of maximizing operating efficiencies through the centralization of certain functions, selected fixed assets and related depreciation, as well as borrowings, are not directly attributable to the individual operating segments and are included in the corporate business segment.

Sales and operating income (loss), by segment, for the years ended December 31 are as follows:

	2014	2013	2012
Sales:			
Global components	$14,313,026	$13,495,766	$13,361,122
Global ECS	8,455,648	7,861,519	7,044,006
Consolidated	$22,768,674	$21,357,285	$20,405,128
Operating income (loss):			
Global components	$653,992	$575,612	$619,282
Global ECS	389,571	350,442	290,970
Corporate (a)	(281,306)	(232,554)	(106,129)
Consolidated	$762,257	$693,500	$804,123

(a) Includes restructuring, integration, and other charges of $39,841, $92,650, and $47,437 in 2014, 2013, and 2012, respectively. Also included is a non-cash impairment charge associated with discontinuing the use of a trade name of $78,000 in 2014 and a gain of $79,158 in 2012 related to the settlement of legal matters.

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

	2014	2013
Global components	$6,952,342	$6,596,255
Global ECS	4,761,628	4,807,400
Corporate	728,886	657,228
Consolidated	$12,442,856	$12,060,883

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

	2014	2013	2012
Americas (b)	$11,340,277	$11,023,076	$10,641,903
EMEA	6,864,104	6,221,569	5,927,231
Asia/Pacific	4,564,293	4,112,640	3,835,994
Consolidated	$22,768,674	$21,357,285	$20,405,128

(b) Includes sales related to the United States of $10,359,936, $10,074,361, and $9,746,612 in 2014, 2013, and 2012, respectively.

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

	2014	2013
Americas (c)	$537,967	$526,640
EMEA	76,487	84,383
Asia/Pacific	21,845	21,366
Consolidated	$636,299	$632,389

(c) Includes net property, plant, and equipment related to the United States of $535,397 and $525,080 at December 31, 2014 and 2013, respectively.

17. Quarterly Financial Data (Unaudited)

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

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

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
2014								
Sales	$ 5,082,040		$ 5,676,539		$ 5,613,216		$ 6,396,879	
Gross profit	703,828		747,521		728,687		815,859	
Net income attributable to shareholders	107,120	(b)	127,884	(c)	146,864	(d)	116,177	(e)
Net income per share (a):								
Basic	$ 1.07	(b)	$ 1.29	(c)	$ 1.49	(d)	$ 1.20	(e)
Diluted	$ 1.06	(b)	$ 1.27	(c)	$ 1.47	(d)	$ 1.18	(e)
2013								
Sales	$ 4,849,629		$ 5,306,085		$ 5,048,211		$ 6,153,360	
Gross profit	642,072		689,572		671,660		787,625	
Net income attributable to shareholders	77,875	(f)	89,935	(g)	96,779	(h)	134,831	(i)
Net income per share (a):								

Basic	$ .74	(f)	$ .87	(g)	$ .96	(h)	$ 1.34	(i)
Diluted	$ .72	(f)	$ .86	(g)	$ .95	(h)	$ 1.32	(i)

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(a) Quarterly net income per share is calculated using the weighted-average shares outstanding during each quarterly period, while net income per share for the full year is calculated using the weighted-average 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 amortization expense related to identifiable intangible assets ($8,907 net of related taxes or $.09 per share on both a basic and diluted basis) and restructuring, integration, and other charges ($8,020 net of related taxes or $.08 per share on both a basic and diluted basis).

(c) Includes amortization expense related to identifiable intangible assets ($8,867 net of related taxes or $.09 per share on both a basic and diluted basis) and restructuring, integration, and other charges ($7,526 net of related taxes or $.08 and $.07 per share on a basic and diluted basis, respectively).

(d) Includes amortization expense related to identifiable intangible assets ($9,086 net of related taxes or $.09 per share on both a basic and diluted basis) and restructuring, integration, and other charges ($2,556 net of related taxes or $.03 per share on both a basic and diluted basis). Also included is a gain on sale of investment ($18,269 net of related taxes or $.19 and $.18 per share on a basic and diluted basis, respectively).

(e) Includes amortization expense related to identifiable intangible assets ($9,105 net of related taxes or $.09 per share on both a basic and diluted basis), restructuring, integration, and other charges ($11,222 net of related taxes or $.12 and $.11 per share on a basic and diluted basis, respectively), and a non-cash impairment charge associated with discontinuing the use of a trade name ($47,911 net of related taxes or $.49 per share on both a basic and diluted basis).

(f) Includes amortization expense related to identifiable intangible assets ($7,116 net of related taxes or $.07 per share on both a basic and diluted basis), restructuring, integration, and other charges ($15,495 net of related taxes or $.15 and $.14 per share on a basic and diluted basis, respectively), and a loss on prepayment of debt ($2,627 net of related taxes or $.02 per share on both a basic and diluted basis).

(g) Includes amortization expense related to identifiable intangible assets ($7,029 net of related taxes or $.07 per share on both a basic and diluted basis) and restructuring, integration, and other charges ($20,688 net of related taxes or $.20 per share on both a basic and diluted basis). Also included is an increase in the provision for income taxes ($5,362 net of related taxes or $.05 per share on both a basic and diluted basis) and interest expense ($939 net of related taxes or $.01 per share on both a basic and diluted basis) related to the settlement of certain international tax matters.

(h) Includes amortization expense related to identifiable intangible assets ($7,074 net of related taxes or $.07 per share on both a basic and diluted basis) and restructuring, integration, and other charges ($16,077 net of related taxes or $.16 per share on both a basic and diluted basis).

(i) Includes amortization expense related to identifiable intangible assets ($8,120 net of related taxes or $.08 per share on both a basic and diluted basis), and restructuring, integration, and other charges ($13,341 net of related taxes or $.13 per share on both a basic and diluted basis). Also included is an increase in the provision for income taxes ($15,447 net of related taxes or $.16 per share on both a basic and diluted basis) and interest expense ($297 net of related taxes) related to the settlement of certain international tax matters.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The company's management, under the supervision and with the participation of the company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the company's disclosure controls and procedures as of December 31, 2014 (the "Evaluation"). Based upon the Evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) are effective.

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 (2013 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, 2014, and concluded that it is effective.

The company acquired five separate entities during the year ended December 31, 2014, which are included in the company's 2014 consolidated financial statements and constituted 1.8 percent of total assets as of December 31, 2014 and 0.4 percent of the company's consolidated sales and 0.9 percent of the company's consolidated net income attributable to shareholders for the year ended December 31, 2014. The company has excluded these five entities from its annual assessment of and conclusion on the effectiveness of the company's internal control over financial reporting.

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, 2014, as stated in their report, which is included herein.

REPORT OF 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, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (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 on 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 five separate entities that were acquired during the year ended December 31, 2014, which are included in the company's 2014 consolidated financial statements and constituted 1.8 percent of total assets as of December 31, 2014 and 0.4 percent of sales and 0.9 percent of net income attributable to shareholders 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 these five entities.

In our opinion, Arrow Electronics, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have 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, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated February 5, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York
February 5, 2015

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.

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 21, 2015, 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 21, 2015, 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 21, 2015, 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 21, 2015, 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 21, 2015, 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 21, 2015, 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:

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1. Financial Statements.	
Report of Independent Registered Public Accounting Firm	41
Consolidated Statements of Operations for the years ended December 31, 2014, 2013, and 2012	42
Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013, and 2012	43
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Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013, and 2012	45
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2. Financial Statement Schedule.	
Schedule II - Valuation and Qualifying Accounts	92

All other schedules are omitted since the required information is not present, 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 86 - 91

INDEX OF EXHIBITS

Exhibit Number	Exhibit
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 New York Mellon (formerly, 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).
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).
4(a)(vii)	Supplemental Indenture, dated as of September 30, 2009, between the company and The Bank of New York Mellon (as successor to the Bank of Montreal Trust Company), as trustee (incorporated by reference to Exhibit 4.1 to the company's Current Report on Form 8-K dated September 29, 2009, Commission File No. 1-4482).
4(a)(viii)	Supplemental Indenture, dated as of November 3, 2010, between the company and The Bank of New York Mellon (as successor to the Bank of Montreal Trust Company), as trustee (incorporated by reference to Exhibit 4.1 to the company's Current Report on Form 8-K dated November 2, 2010, Commission File No. 1-4482).

4(a)(ix)	Supplemental Indenture, dated as of February 20, 2013, between the company and The Bank of New York Mellon (as successor to the Bank of Montreal Trust Company), as trustee (incorporated by reference to Exhibit 4.1 to the company's Current Report on Form 8-K dated February 14, 2013, Commission File No. 1-4482).
10(a)	Arrow Electronics Savings Plan, as amended and restated effective January 1, 2012 (incorporated by reference to Exhibit 10(a) to the company's Annual Report on Form 10-K for the year ended December 31, 2012, Commission File No. 1-4482).
10(b)	Wyle Electronics Retirement Plan, as amended and restated on September 9, 2009 (incorporated by reference to Exhibit 10(b) to the company's Quarterly Report on Form 10-Q for the quarter ended October 3, 2009, Commission File No. 1-4482).
10(c)	Arrow Electronics Stock Ownership Plan, as amended and restated on September 9, 2009 (incorporated by reference to Exhibit 10(c) to the company's Quarterly Report on Form 10-Q for the quarter ended October 3, 2009, Commission File No. 1-4482).
10(c)(i)	Amendment 4 to the Arrow Electronics Stock Ownership Plan effective December 31, 2012 (incorporated by reference to Exhibit 10(c)(i) to the company's Annual Report on Form 10-K for the year ended December 31, 2012, Commission File No. 1-4482).
10(d)(i)	Arrow Electronics, Inc. 2004 Omnibus Incentive Plan (as amended through February 25, 2010)(incorporated by reference to Exhibit 10(d)(i) to the company's Annual Report on Form 10-K for the year ended December 31, 2010, Commission File No. 1-4482).
10(d)(ii)	Form of Non-Qualified Stock Option Award Agreement under 10(d)(i) above (incorporated by reference to Exhibit 10(d)(ii) to the company's Annual Report on Form 10-K for the year ended December 31, 2012, Commission File No. 1-4482).
10(d)(iii)	Form of Performance Stock Unit Award Agreement under 10(d)(i) above (incorporated by reference to Exhibit 10(d)(iii) to the company's Annual Report on Form 10-K for the year ended December 31, 2012, Commission File No. 1-4482).
10(d)(iv)	Form of Restricted Stock Unit Award Agreement under 10(d)(i) above (incorporated by reference to Exhibit 10(d)(iv) to the company's Annual Report on Form 10-K for the year ended December 31, 2012, Commission File No. 1-4482).
10(e)	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).
10(f)	Non-Employee Directors Deferred Compensation Plan, as amended and restated on January 1, 2009 (incorporated by reference to Exhibit 10(g) to the company's Annual Report on Form 10-K for the year ended December 31, 2012, Commission File No. 1-4482).
10(g)	Arrow Electronics, Inc. Supplemental Executive Retirement Plan, as amended effective January 1, 2009 (incorporated by reference to Exhibit 10(i) to the company's Annual Report on Form 10-K for the year ended December 31, 2009, Commission File No. 1-4482).

10(h)	Arrow Electronics, Inc. Executive Deferred Compensation Plan amended and restated effective January 1, 2009 (incorporated by reference to Exhibit 10(i) to the company's Annual Report on Form 10-K for the year ended December 31, 2011, Commission File No. 1-4482).
10(i)(i)	Arrow Electronics, Inc. Executive Severance Policy (incorporated by reference to Exhibit 10.1 to the company's Current Report on Form 8-K dated February 19, 2013, Commission File No. 1-4482).

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10(i)(ii)	Form of the Arrow Electronics, Inc. Executive Severance Policy Participation Agreement (incorporated by reference to Exhibit 10.2 to the company's Current Report on Form 8-K dated February 19, 2013, Commission File No. 1-4482).
10(i)(iii)	Form of Executive Change in Control Retention Agreement (incorporated by reference to Exhibit 10.3 to the company's Current Report on Form 8-K dated February 19, 2013, Commission File No. 1-4482).
10(i)(iv)	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(i)(v)	First Amendment, dated September 17, 2004, to the amended and restated Grantor Trust Agreement in 10(j)(x) 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(i)(vi)	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(j)	Amended and Restated Five-Year Credit Agreement, dated as of December 13, 2013, 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 BNP Paribas, Bank of America, N.A., The Bank of Nova Scotia and The Bank of Tokyo-Mitsubishi UFJ, Ltd. as syndication agents (incorporated by reference to Exhibit 10(j) to the company's Annual Report on Form 10-K for the year ended December 31, 2013, Commission File No. 1-4482).
10(k)(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).
10(k)(ii)	Amendment No. 1 to the Transfer and Administration Agreement, dated as of November 30, 2001, to the Transfer and Administration Agreement in 10(k)(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(k)(iii)	Amendment No. 2 to the Transfer and Administration Agreement, dated as of December 14, 2001, to the Transfer and Administration Agreement in 10(k)(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(k)(iv)	

	Amendment No. 3 to the Transfer and Administration Agreement, dated as of March 20, 2002, to the Transfer and Administration Agreement in 10(k)(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(k)(v)	Amendment No. 4 to the Transfer and Administration Agreement, dated as of March 29, 2002, to the Transfer and Administration Agreement in 10(k)(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(k)(vi)	Amendment No. 5 to the Transfer and Administration Agreement, dated as of May 22, 2002, to the Transfer and Administration Agreement in 10(k)(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(k)(vii)	Amendment No. 6 to the Transfer and Administration Agreement, dated as of September 27, 2002, to the Transfer and Administration Agreement in 10(k)(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(k)(viii)	Amendment No. 7 to the Transfer and Administration Agreement, dated as of February 19, 2003, to the Transfer and Administration Agreement in 10(k)(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(k)(ix)	Amendment No. 8 to the Transfer and Administration Agreement, dated as of April 14, 2003, to the Transfer and Administration Agreement in 10(k)(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(k)(x)	Amendment No. 9 to the Transfer and Administration Agreement, dated as of August 13, 2003, to the Transfer and Administration Agreement in 10(k)(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(k)(xi)	Amendment No. 10 to the Transfer and Administration Agreement, dated as of February 18, 2004, to the Transfer and Administration Agreement in 10(k)(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).
10(k)(xii)	Amendment No. 11 to the Transfer and Administration Agreement, dated as of August 13, 2004, to the Transfer and Administration Agreement in 10(k)(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(k)(xiii)	Amendment No. 12 to the Transfer and Administration Agreement, dated as of February 14, 2005, to the Transfer and Administration Agreement in 10(k)(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(k)(xiv)	Amendment No. 13 to the Transfer and Administration Agreement, dated as of February 13, 2006, to the Transfer and Administration Agreement in 10(k)(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(k)(xv)	Amendment No. 14 to the Transfer and Administration Agreement, dated as of October 31, 2006, to the Transfer and Administration Agreement in 10(k)(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(k)(xvi)	Amendment No. 15 to the Transfer and Administration Agreement, dated as of February 12, 2007, to the Transfer and Administration Agreement in 10(k)(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(k)(xvii)	Amendment No. 16 to the Transfer and Administration Agreement, dated as of March 27, 2007, to the Transfer and Administration Agreement in 10(k)(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(k)(xviii)	Amendment No. 17 to the Transfer and Administration Agreement, dated as of March 26, 2010, to the Transfer and Administration Agreement in 10(k)(i) above (incorporated by reference to Exhibit 10(n) to the company's Current Report on Forms 8-K and 8-K/A dated March 31, 2010, Commission File No. 1-4482).

10(k)(xix)	Amendment No. 18 to the Transfer and Administration Agreement, dated as of December 15, 2010, to the Transfer and Administration Agreement in 10(k)(i) above (incorporated by reference to Exhibit 10(n) to the company's Current Report on Form 8-K/A dated January 13, 2011, Commission File No.1-4482).
10(k)(xx)	Amendment No. 19 to the Transfer and Administration Agreement, dated as of February 14, 2011, to the Transfer and Administration Agreement in 10(k)(i) above (incorporated by reference to Exhibit 10(m)(xx) to the company's Annual Report on Form 10-K for the year ended December 31, 2011, Commission File No. 1-4482).
10(k)(xxi)	Amendment No. 20 to the Transfer and Administration Agreement, dated as of December 7, 2011, to the Transfer and Administration Agreement in 10(k)(i) above (incorporated by reference to Exhibit 10.1 to the company's Current Report on Form 8-K dated December 12, 2011, Commission File No.1-4482).
10(k)(xxii)	Amendment No. 21 to the Transfer and Administration Agreement, dated as of March 30, 2012, to the Transfer and Administration Agreement in 10(k)(i) above (incorporated by reference to Exhibit 10(m)(xxii) to the company's Annual Report on Form 10-K for the year ended December 31, 2012, Commission File No. 1-4482).
10(k)(xxiii)	Amendment No. 22 to the Transfer and Administration Agreement, dated as of August 29, 2012, to the Transfer and Administration Agreement in 10(k)(i) above (incorporated by reference to Exhibit 10(m)(xxiii) to the company's Annual Report on Form 10-K for the year ended December 31, 2012, Commission File No. 1-4482).
10(k)(xxiv)	Amendment No. 23 to the Transfer and Administration Agreement, dated as of July 29, 2013, to the Transfer and Administration Agreement in 10(k)(i) above (incorporated by reference to Exhibit 10(k)(xxiv) to the company's Annual Report on Form 10-K for the year ended December 31, 2013, Commission File No. 1-4482).
10(k)(xxv)	Amendment No. 24 to the Transfer and Administration Agreement, dated as of March 24, 2014, to the Transfer and Administration Agreement in 10(k)(i) above (incorporated by reference to Exhibit 10.1 to the company's Current Report on Form 8-K dated March 27, 2014, Commission File No. 1-4482).
10(l)(i)	Commercial Paper Private Placement Agreement, dated as of November 9, 1999, among Arrow Electronics, Inc., as issuer, and Chase Securities Inc., Bank of America Securities LLC, Goldman, Sachs & Co., and Morgan Stanley & Co. Incorporated as placement agents (incorporated by reference to Exhibit 10(g) to the company's Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 1-4482).
10(l)(ii)	Amendment No. 1 to Dealer Agreement dated as of November 9, 1999, between Arrow Electronics, Inc. and J.P. Morgan Securities LLC (f.k.a. Chase Securities Inc.), Merrill Lynch, Pierce, Fenner & Smith Incorporated (f.k.a. Bank of America Securities LLC), Goldman, Sachs & Co. and Morgan Stanley & Co. LLC (f.k.a. Morgan Stanley & Co. Incorporated) (incorporated by reference to Exhibit 10(n)(ii) to the company's Annual Report on Form 10-K for the year ended December 31, 2011, Commission File No. 1-4482).

10(l)(iii)	Amendment No. 2 to Dealer Agreement dated as of November 9, 1999, between Goldman, Sachs & Co., J.P. Morgan Securities LLC (f.k.a. Chase Securities Inc.), Morgan Stanley & Co. LLC (f.k.a. Morgan Stanley & Co. Incorporated), Merrill Lynch, Pierce, Fenner & Smith Incorporated (f.k.a. Bank of America Securities LLC) and Arrow Electronics, Inc., as amended by Amendment No. 1 dated as of October 11, 2011 (incorporated by reference to Exhibit 10(a) to the company's Quarterly Report on Form 10-Q for the quarter ended September 27, 2014, Commission File No. 1-4482).
10(l)(iv)	Issuing and Paying Agency Agreement, dated as of October 20, 2014, by and between Arrow Electronics, Inc. and BNP Paribas (incorporated by reference to Exhibit 10(b) to the company's Quarterly Report on Form 10-Q for the quarter ended September 27, 2014, Commission File No. 1-4482).
10(m)	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 Rule 13A-14(a)/15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(ii)	Certification of Chief Financial Officer pursuant to Rule 13A-14(a)/15d-14(a) of the Securities and Exchange Act of 1934, as adopted 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.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Documents.
101.DEF	XBRL Taxonomy Definition Linkbase Document.

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

	Balance at beginning of year	Charged to income	Other (a)	Write-down	Balance at end of year
Allowance for doubtful accounts:					
Year ended December 31, 2014	$ 64,129	$ 656	$ 682	$ 6,279	$ 59,188
Year ended December 31, 2013	$ 54,238	$ 9,201	$ 8,098	$ 7,408	$ 64,129
Year ended December 31, 2012	$ 48,125	$ 12,452	$ 3,262	$ 9,601	$ 54,238

(a) Represents the allowance for doubtful accounts of the businesses acquired by the company during 2014, 2013, and 2012.

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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/ Gregory P. Tarpinian
Gregory P. Tarpinian
Senior Vice President, General Counsel, and Secretary
February 5, 2015

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 5, 2015:

By: /s/ Michael J. Long
Michael J. Long, Chairman, President, and Chief Executive Officer

By: /s/ Paul J. Reilly
Paul J. Reilly, Executive Vice President, Finance and Operations, and Chief Financial Officer

By: /s/ Christopher D. Stansbury
Christopher D. Stansbury, Vice President, Finance, and Principal Accounting Officer

By: /s/ Barry W. Perry
Barry W. Perry, Lead Independent Director

By: /s/ Philip K. Asherman
Philip K. Asherman, 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/ Andrew C. Kerin
Andrew C. Kerin, Director

By: /s/ Stephen C. Patrick
Stephen C. Patrick, Director

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