ARROW ELECTRONICS INC
Form DEF 14A
April 10, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)
Filed by the Registrant þ
Filed by a Party other than the Registrant ¨
Check the appropriate box:
¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12
ARROW ELECTRONICS, INC.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
Payment of Filing Fee (Check the appropriate box):
þ No fee required.
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(4)

Michael J. Long
Chairman of the Board

Arrow Electronics, Inc.
7459 South Lima Street
Englewood, Colorado 80112

April 10, 2014

Dear Shareholder:

You are invited to Arrow's Annual Meeting on Thursday, May 22, 2014 at The Ritz-Carlton Denver, 1881 Curtis Street, Denver, Colorado 80202 at 9:00 a.m. Mountain Time. The formal notice of the Annual Meeting and the Proxy Statement soliciting your vote at the Annual Meeting appear on the following pages.

The matters scheduled to be considered at the Annual Meeting are (i) the election of the Board of Directors; (ii) the ratification of the selection of the independent registered public accounting firm; and (iii) the holding of an advisory vote on executive compensation. These matters are discussed more fully in the Proxy Statement.

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

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

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

Sincerely yours,
Michael J. Long
Chairman of the Board

ARROW ELECTRONICS, INC.
7459 South Lima Street
Englewood, CO 80112

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TIME AND DATE
9:00 a.m. Mountain Time on Thursday, May 22, 2014
PLACE
The Ritz-Carlton Denver
1881 Curtis Street
Denver, Colorado 80202
ITEMS OF BUSINESS
The Annual Meeting will be held:
1. To elect directors of Arrow for the ensuing year.
2. To act upon a proposal to ratify the appointment of Ernst & Young LLP as Arrow's independent registered public accounting firm for the fiscal year ending December 31, 2014.
3. To hold an advisory vote on executive compensation.
4. To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

RECORD DATE
Only shareholders of record at the close of business on March 27, 2014 are entitled to notice of and to vote at the Annual Meeting or any postponements or adjournments thereof.
PROXY MATERIALS AND ANNUAL REPORT
If you wish to receive a printed copy of the proxy materials and our Annual Report you must request a copy. The Notice of Internet Availability has instructions for access to and review of our proxy materials online, as well as instructions for online voting.
Arrow's 2013 Annual Report (which is not a part of the proxy soliciting material) and this Proxy Statement will be available through www.proxyvote.com on or about April 10, 2014, and at the Company's website at www.arrow.com/annualreport2013.
PROXY VOTING
Shareholders can vote by attending the Annual Meeting, by completing and returning the proxy card, online, or by telephone. The Notice of Internet Availability and the proxy card itself have detailed instructions for voting, including voting deadlines.

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

By Order of the Board of Directors

Peter S. Brown
Secretary

ARROW ELECTRONICS, INC.
ANNUAL MEETING OF SHAREHOLDERS
To be Held May 22, 2014

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ARROW ELECTRONICS, INC.
7459 South Lima Street
Englewood, CO 80112

PROXY STATEMENT
in connection with the
2014 Annual Meeting

The Purpose of this Statement

The Board of Directors of Arrow Electronics, Inc., a New York corporation ("Arrow" or the "Company"), is furnishing this Proxy Statement to all shareholders of record to solicit proxies to be voted at the 2014 Annual Meeting. By returning a completed proxy card, or voting over the telephone or internet, you are giving instructions on how your shares are to be voted at the Annual Meeting. The Proxy Statement was made available through www.proxyvote.com on or about April 10, 2014.

Invitation to the Annual Meeting

Shareholders of record are invited to attend the 2014 Annual Meeting on Thursday, May 22, 2014, beginning at 9:00 a.m. Mountain Time. The Annual Meeting will be held at The Ritz-Carlton Denver, 1881 Curtis Street, Denver, Colorado 80202.

Voting Instructions

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

If shares are held in "street name" (that is, in the name of a bank, broker, or other holder of record), such holder should receive instructions from the record shareholder that must be followed in order for such shares to be voted (including at the Annual Meeting). Internet and/or telephone voting will also be offered to shareholders owning shares through most banks and brokers.

Unless you indicate otherwise, the persons named as proxies on the proxy card will vote your shares "FOR" all of the nominees for director named in this Proxy Statement, "FOR" the ratification of Ernst & Young LLP as Arrow's independent registered public accounting firm, and "FOR" the advisory vote on executive compensation.

Shareholders Entitled to Vote

Only shareholders of record of Arrow's common stock at the close of business on March 27, 2014 (the "record date") are entitled to notice of and to vote at the Annual Meeting or any postponements or adjournments thereof. As of the record date, there were 99,621,233 shares of Arrow common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the Annual Meeting. The presence in person or by proxy of a majority of the shares entitled to vote at the Annual Meeting shall constitute a quorum.

If a shareholder is a participant in the Arrow Electronics Stock Ownership Plan (the "ESOP"), the shareholder can vote using the methods described above. This will serve as a voting instruction for Vanguard Fiduciary Trust Company (the "Trustee"), where all accounts are registered in the same name. As a participant

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in the ESOP, the shareholder has the right to direct the Trustee, who is the holder of record, regarding how to vote the shares of common stock credited to the participant's account at the Annual Meeting. If voting instructions for the shares of common stock in the ESOP are not received, those shares will be voted by the Trustee in the same proportions as the shares for which voting instructions were received from other participants in the ESOP. Voting (including any revocations) by ESOP participants will close at 11:59 p.m. Eastern Time on May 16, 2014. The Trustee will then vote all shares of common stock held in the ESOP by the established deadline.

Revocation of Proxies

The person giving the proxy may revoke it at any time prior to the time it is voted at the Annual Meeting by giving written notice to Arrow's Secretary. If the proxy was given by telephone or through the internet, it may be revoked in the same manner. You may also revoke your proxy by attending the Annual Meeting and voting in person. If your shares are held in "street name" you must contact the record holder of the shares regarding how to revoke your proxy. ESOP participants must revoke their proxies on or before May 16, 2014.

Cost of Proxy Solicitation

Arrow pays the cost of soliciting proxies. Arrow has retained D.F. King & Co., Inc. to assist in soliciting proxies at an anticipated cost of approximately $13,500 plus expenses. Arrow will supply soliciting materials to the brokers and other nominees holding Arrow common stock in a timely manner so that the brokers and other nominees may send the material to each beneficial owner and Arrow will reimburse the brokers and other nominees for their expenses in so doing. In addition to this solicitation by mail, employees of the Company may solicit proxies in person or by telephone.

CERTAIN SHAREHOLDERS

Holders of More than 5% of Common Stock

The following Table sets forth certain information with respect to the only shareholders known to the Company to own beneficially more than 5% of the outstanding common stock of Arrow as of March 27, 2014.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
Artisan Partners Limited Partnership (1) 875 East Wisconsin Avenue Milwaukee, Wisconsin 53202	8,882,157	8.9%
BlackRock Inc. (2) 40 East 52nd Street New York, New York 10022	7,009,872	7.0%
Wellington Management Company, LLP (3) 280 Congress Street Boston, Massachusetts 02210	6,493,394	6.5%
JPMorgan Chase & Co. (4) 270 Park Avenue New York, New York 10017	5,923,475	5.9%
The Vanguard Group (5) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	5,448,569	5.5%

(1) Based upon a Schedule 13G filed with the United States Securities and Exchange Commission ("SEC") on March 24, 2014, Artisan Partners Limited Partnership is a registered investment adviser of which Artisan Investments GP LLC is the general partner and Artisan Partners Holdings LP is the sole limited partner. Artisan Partners Asset Management Inc. is the general partner of Artisan Partners Holding LP. Each of these persons beneficially own the shares shown and have shared dispositive power with respect to all shares and shared voting power with respect to 8,576,753 shares. The shares reported were acquired on behalf of discretionary clients of Artisan Partners

Limited Partnership. Persons other than Artisan Partners Limited Partnership are entitled to receive all dividends and proceeds from the sale of those shares. Included in the shares beneficially owned by Artisan Partners Limited Partnership are 6,557,839 shares on behalf of Artisan Partners Funds, Inc., a registered investment company, which has shared voting and dispositive power with respect to all shares.

(2) Based upon a Schedule 13G filed with the SEC on January 28, 2014, BlackRock Inc., a parent holding company, has sole voting power with respect to 6,460,488 shares and dispositive power with respect to all shares.

(3) Based upon a Schedule 13G filed with the SEC on February 14, 2014, Wellington Management Company, LLP, a registered investment adviser, has shared dispositive power with respect to all shares and shared voting power with respect to 1,653,894 shares.

(4) Based upon a Schedule 13G filed with the SEC on January 24, 2014, JPMorgan Chase & Co., a parent holding company, has shared voting and dispositive power with respect to 937 shares, sole dispositive power with respect to 5,922,538 shares, and sole voting power with respect to 5,895,638 shares.

(5) Based upon a Schedule 13G filed with the SEC on February 11, 2014, The Vanguard Group, a registered investment adviser, has shared dispositive power with respect to 81,207 shares, sole dispositive power with respect to 5,367,362 shares, and sole voting power with respect to 95,806 shares. Vanguard Fiduciary Trust Company, a wholly owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 56,507 shares as a result of it serving as an investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., another wholly owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 63,999 shares as a result of it serving as an investment manager of Australian investment offerings.

Shareholding of Executive Officers and Directors

The following table shows, as of March 27, 2014, the beneficial ownership of the Company's common stock for each director, each of the "Named Executive Officers" (the Chief Executive Officer, the Chief Financial Officer, and each of the other three most highly compensated executive officers of the Company other than the Chief Executive Officer and the Chief Financial Officer) and the directors and executive officers as a group (including the Named Executive Officers).

Shares of Common Stock Beneficially Owned

	Currently Owned (1)	Common Stock Units (2)	Acquirable w/in 60 Days	% of Outstanding Common Stock
Michael J. Long	436,970	—	—	*
Paul J. Reilly	196,354	—	—	*
Peter S. Brown	50,257	—	—	*
Peter T. Kong	216,470	—	—	*
Andrew S. Bryant	34,467	—	—	*
Barry W. Perry	—	44,317	—	*
Philip K. Asherman	—	15,483	—	*
Gail E. Hamilton	—	18,350	—	*
John N. Hanson	6,800	39,301	—	*
Richard S. Hill	—	24,208	—	*
M.F. (Fran) Keeth	—	27,246	—	*
Andrew C. Kerin	—	9,887	—	*
Stephen C. Patrick	—	36,427	—	*
Total Executive Officers' and Directors' Beneficial Ownership as a group (16 individuals) (3)	924,186	215,219	—	1.1%

* Represents holdings of less than 1%.

(1) Includes vested stock options and restricted shares granted under the Arrow Electronics, Inc. 2004 Omnibus Incentive Plan, as amended (the "Omnibus Incentive Plan"), as well as shares owned independently.

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

(3) Mr. Kong was no longer President of the Global Components business effective January 1, 2014. His beneficial ownership is not included in the "Total Executive Officers' and Directors' Beneficial Ownership as a group" row, but the beneficial ownership of Eric Schuck, Mr. Kong's successor as President of the Global Components business effective January 1, 2014, is included.

PROPOSAL 1: ELECTION OF DIRECTORS

Each nominee for election as a member of the Board of Directors of Arrow (the "Board") is to be elected to hold office until the next Annual Meeting.

The Board recommends a vote "FOR" all of the nominees named below.

All nominees identified below are current members of the Board. All have been recommended for re-election to the Board by the Corporate Governance Committee and approved and nominated for re-election by the Board. The Board does not anticipate that any of the nominees named below will be unable or unwilling to serve as a director. If any nominee should refuse or be unable to serve, the proxy will be voted for a person designated by the Board, or in lieu thereof, the Board may reduce the number of directors. In

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accordance with the Company's by-laws, the nine nominees receiving a plurality of votes cast at the Annual Meeting will be elected directors, subject to the Director Resignation Policy described below.

An uncontested election of directors is no longer considered a "routine" item under the New York Stock Exchange rules. As a result, if a shareholder holds shares in "street name" through a broker or other nominee, the broker or nominee is not permitted to exercise voting discretion with respect to this proposal. For this reason, if a shareholder does not give his or her broker or nominee specific instructions, the shareholder's shares will not be voted on this proposal. If you vote to "abstain," your shares will be counted as present at the meeting, and your abstention will have the effect of a vote against the proposal.

In accordance with the Company's corporate governance guidelines, members of the Board should have the education, business experience, and insight necessary to understand the Company's business. Further, members of the Board should be able to evaluate and oversee its direction and performance for the Company's continued success. The directors should also possess such functional skills, corporate leadership, and international experience required to contribute to the development and expansion of the Board's knowledge and capabilities. Moreover, the directors should have the willingness and ability to objectively and constructively appraise the performance of executive management and, when necessary, recommend appropriate changes. Neither the Board nor the Corporate Governance Committee has a formal policy regarding diversity. The Board believes, however, that its membership should reflect diversity in its broadest sense and, consistent with that philosophy, the Board does consider a candidate's experience, education, geographic location, and difference of viewpoint when evaluating his or her qualifications for election to the Board. Whenever the Corporate Governance Committee evaluates a potential candidate, it considers that individual in the context of the composition of the Board as a whole. Based on the nominee's experience (including international experience), attributes, and skills, which exemplify the sought-after characteristics described above, the Board has concluded that each nominee possesses the appropriate qualifications to serve as a director of the Company.

Barry W. Perry, 67, director since 1999

Mr. Perry has been the Lead Director of the Company since May 2011. He was Chief Executive Officer and Chairman of the Board of Engelhard Corporation, a surface and materials science company, for more than five years prior to his retirement in June 2006. Mr. Perry is currently a director of the Albemarle Corporation and Ashland Inc. He also served as a director of Cookson plc, UK from January 2002 until May 2011.

While he was Chief Executive Officer of Engelhard Corporation, Mr. Perry established the company's vision and strategy, selected key management personnel, and evaluated the risks of participating in various markets. Further, his experience as a director of a number of public multinational companies provides him with the skills to objectively and accurately evaluate the financial performance and corporate strategies of a large company.

Philip K. Asherman, 63, director since 2010

Mr. Asherman has been President and Chief Executive Officer of Chicago Bridge & Iron Company ("CB&I") since 2006. He served as an Executive Vice President and Chief Marketing Officer of CB&I from 2001 to 2006 and Managing Director of Chicago Bridge & Iron Company N.V. ("CB&I N.V.") from 2002 to 2006. Prior thereto, Mr. Asherman served as the Senior Vice President of Fluor Global Services as well as holding other executive positions with Fluor Daniel, Inc. and its operating subsidiaries. He has more than 30 years of experience in the engineering and construction industry in a variety of project management, operations management, and sales and marketing roles. Mr. Asherman has handled assignments in Asia Pacific, Europe, and South America. He serves as a director of CB&I, CB&I N.V., and the Fletcher School at Tufts University. He has been chosen to serve as a director of the Company because of his service as Chief Executive Officer of a multi-national public company and his knowledge of international business. Mr. Asherman is considered an "audit committee financial expert" as the term is defined in Item 407(d)(5) of Regulation S-K.

Gail E. Hamilton, 64, director since 2008

Ms. Hamilton was Executive Vice President of Symantec Corporation, an infrastructure software and services provider, from March 2000 to January 2005. Previously, she served as the General Manager of the Communications Division of Compaq Computer Corporation and as the General Manager of the Telecom Platform Division for Hewlett-Packard Company. She is currently a director of OpenText Corporation, Ixia, and Westmoreland Coal Company. In the last five years, Ms. Hamilton has also served as a director of Surgient, Inc.

Ms. Hamilton has been responsible for designing, manufacturing, and selling electronic systems for over 20 years. While at Symantec, Ms. Hamilton oversaw the operations of the enterprise and consumer business. In that role, she was responsible for budgeting and helped steer the company through an aggressive acquisition strategy. The Board believes Ms. Hamilton's experience at Symantec, a leading software company, makes her particularly valuable in providing guidance to our Enterprise Computing Solutions business with regard to its direction and strategy.

John N. Hanson, 72, director since 1997

Mr. Hanson has been the non-executive Chairman of the Board of Joy Global Inc., a manufacturer of mining equipment for both underground and surface applications, since February 2007. He was Chairman, Chief Executive Officer, and President of Joy Global Inc. (formerly known as Harnischfeger Industries, Inc.) for more than five years prior thereto. He is Chairman of the American Coal Foundation.

Immediately upon his appointment in 1999 as Chief Executive Officer of Harnischfeger Industries, Inc., Mr. Hanson provided the required guidance and leadership to bring it through its Chapter 11 bankruptcy reorganization. In so doing, the company became a more efficient and profitable organization. During this process, Mr. Hanson was responsible for leading that company's direction by developing and implementing a long-term strategy and assessing risks and opportunities. Mr. Hanson has run multiple businesses throughout his career, several of which used distribution as their principal source of products and services. He has served as a director of seven different companies over his career. The Board believes that these skills and experiences make Mr. Hanson a valuable member of the Board.

Richard S. Hill, 62, director since 2006

Mr. Hill was Chief Executive Officer and Chairman of the Board of Novellus Systems, Inc., a maker of devices used in the manufacture of advanced integrated circuits, from 2006 until it was acquired by Lam Research Corporation in June 2012. He is currently the Chairman of the Board of Tessera Technologies, Inc. and served as its interim Chief Executive Officer from April 15, 2013 until May 29, 2013. Mr. Hill is also a director of LSI Corporation, Planar Systems, Inc., Cabot Microelectronics Corporation, and was the immediate past Chair and current executive committee member of the University of Illinois Foundation. Within the past five years, Mr. Hill also served as a director of SemiLEDs Corporation.

Mr. Hill has had a broad base of experience as the Chief Executive Officer of Novellus. In that role, he set the strategy by evaluating market risks to determine the ultimate direction of that company. Novellus was in the business of developing, manufacturing, and selling equipment used in the fabrication of integrated circuits. As a result, Mr. Hill has a thorough understanding of the semiconductor market in which Arrow operates. He also has experience in the international marketplace as a result of serving on a number of boards for companies with global operations.

M.F. (Fran) Keeth, 67, director since 2004

Mrs. Keeth was Executive Vice President of Royal Dutch Shell plc and Chief Executive Officer and President of Shell Chemicals Limited, a services company responsible for Royal Dutch Shell's global petrochemical businesses, from January 2005 to December 2006. She served as Executive Vice President of Customer Fulfillment and Product Business Units for Shell Chemicals Limited from July 2001 to January 2005 and was President and Chief Executive Officer of Shell Chemical LP, a U.S. petrochemical member of the Royal Dutch/ShellGroup, from July 2001 to July 2006. Mrs. Keeth also serves as a director of Verizon Communications Inc. Within the past five years, she has served as a director of Peabody Energy Corporation.

Mrs. Keeth's knowledge and expertise helped guide the direction, culture, and operational excellence of Shell Chemicals Limited. Further, Mrs. Keeth has held a number of senior financial positions, including Principal Accounting Officer and Controller. As a result of such experience and associated expertise, Mrs. Keeth is considered an “audit committee financial expert” as the term is defined in Item 407(d)(5) of Regulation S-K. In addition to her extensive financial expertise, Mrs. Keeth brings to the Board executive leadership experience as a chief executive officer and a global business perspective from her service as an executive officer of a large multinational company and her service on other public company boards.

Andrew C. Kerin, 50, director since 2010

Mr. Kerin has been Chief Executive Officer and a director of The Brickman Group, Ltd. since May 2012. Prior to that, he was Executive Vice President, Aramark Corporation and Group President, Global Food, Hospitality and Facility Services, Aramark Corporation from June 2009 until March 2012. He served as Executive Vice President, Aramark Corporation and Group President, North America Food, from 2006 to 2009. In 2004, Mr. Kerin was elected as an executive officer of Aramark Corporation as Senior Vice President and served as President, Aramark Healthcare and Education. Prior thereto, starting in 1995, Mr. Kerin served in a number of management roles within Aramark Corporation. Under his leadership were all of Aramark’s U.S.-based food, hospitality, and facilities businesses including the management of professional services in healthcare institutions, universities, schools, business locations, entertainment and sports venues, correctional facilities, and hospitality venues.

Mr. Kerin serves on the Board of Trustees of Fordham University. The Board believes that Mr. Kerin’s extensive experience in the service industry makes him particularly valuable in providing guidance to the Company as it continues to build its services businesses. He is considered an “audit committee financial expert” as the term is defined in Item 407(d)(5) of Regulation S-K.

Michael J. Long, 55, director since 2008

Mr. Long was appointed Chief Executive Officer of Arrow in May 2009 and Chairman of the Board effective January 2010. He was appointed President (and currently holds this position) and Chief Operating Officer of Arrow in February 2008. He served as Senior Vice President of the Company from January 2006 to February 2008, and, prior thereto, he served as Vice President of the Company for more than five years. He was appointed President, Arrow Global Components in September 2006. Mr. Long served as President, North America and Asia/Pacific Components from January 2006 until September 2006; President, North America from May 2005 to December 2005; and President and Chief Operating Officer of Arrow Enterprise Computing Solutions from July 1999 to April 2005. Mr. Long also serves as a Director of AmerisourceBergen Corporation and is on the Board of Trustees of the Denver Zoo.

As a result of his numerous years in leadership roles at the Company and in the distribution industry, Mr. Long understands the competitive nature of the business and has an in-depth knowledge of the Company, a strong management background, and broad executive experience.

Stephen C. Patrick, 64, director since 2003

Mr. Patrick was Vice Chairman of Colgate-Palmolive Company, a global consumer products company, from January 2011 until his retirement in March 2011. Prior thereto, he served as the Chief Financial Officer of Colgate-Palmolive for approximately 14 years. In his more than 25 years at Colgate-Palmolive, he has held positions as Vice President, Corporate Controller, and Vice President of Finance for Colgate Latin America. Mr. Patrick also serves as a Senior Adviser to Rothschild North America Inc.

Mr. Patrick’s experience and education make him an expert in financial matters. As the Chief Financial Officer of a successful public company, Mr. Patrick was responsible for assuring that all day-to-day financial transactions were accurately recorded, processed, and reported in all public filings. All of this requires a thorough understanding of finance, treasury, and risk management functions. Mr. Patrick is considered an “audit committee financial expert” as the term is defined in Item 407(d)(5) of Regulation S-K. In addition to his extensive financial expertise, Mr. Patrick brings to the Board executive leadership experience as a chief financial officer of a large multinational company.

DIRECTOR RESIGNATION POLICY

The Board adopted a Director Resignation Policy, which provides that in the event any director nominee does not receive a majority of the votes in an uncontested election in his or her favor, the nominee must tender a letter of resignation to the Board within five days of the certification of the shareholder vote. The Corporate Governance Committee must then consider whether to accept the director's resignation and make a recommendation to the Board as to acceptance or rejection. The Board will then consider the resignation and, within 90 days following the date of the shareholders' meeting at which the election occurred, shall publicly disclose its decision. A director whose resignation is under consideration may not participate in any deliberation regarding his or her resignation. To receive a majority of votes in an uncontested election means that the number of votes cast "for" a nominee's election as a director exceeds the number of votes "withheld" for that nominee. The Director Resignation Policy can be found at the "Corporate Governance" link on the investor relations section of the Company's website, www.arrow.com.

THE BOARD AND ITS COMMITTEES

The Board meets in general sessions with the Chairman of the Board presiding, in meetings limited to non-management directors (which are led by the Lead Director), and in various committees. Committee meetings are open to all members of the Board.

Committee memberships and chair assignments are reviewed annually by the Corporate Governance Committee, which makes appointment and chair recommendations to the Board.

The Table below reflects committee memberships for calendar year 2013.

	Audit		Compensation		Corporate Governance	
	Jan - May	May - Dec	Jan - May	May - Dec	Jan - May	May - Dec
Barry W. Perry	•		•	•		
Philip K. Asherman	•	•	•	•		
Gail E. Hamilton					p	p
John N. Hanson			p	p		
Richard S. Hill			•	•	•	•
M.F. (Fran) Keeth	p	p				
Andrew C. Kerin	•	•			•	•
Michael J. Long						
Stephen C. Patrick	•	•			•	•

p Chair • Member

Lead Director

In accordance with the Company's corporate governance guidelines, the Board has determined that Mr. Perry will serve as the Lead Director. The Lead Director chairs Board meetings when the Chairman is not present. He also chairs the sessions of the non-management directors held in connection with each Board meeting. The Lead Director serves as a liaison between the Chairman and the independent non-management directors, and reviews and approves Board agendas and meeting schedules. The Lead Director has the authority to call meetings of the non-management directors.

Chief Executive Officer and Chairman Positions

The Company's Chief Executive Officer currently serves as Chairman of the Board. In his position as Chief Executive Officer, Mr. Long has primary responsibility for the day-to-day operations of the Company and provides consistent leadership on the Company's key strategic objectives. In his role as Chairman, he sets the strategic priorities for the Board, presides over its meetings, and communicates its findings and guidance to management. The Board believes that the combination of these two roles is the most appropriate structure for the Company at this time because: (i) this structure provides more consistent communication and coordination throughout the organization, which results in a more effective and efficient implementation of corporate strategy; (ii) this structure is important in unifying the Company's strategy behind a single vision; (iii) our Chief Executive Officer is the most knowledgeable member of the Board regarding risks the Company may be facing and, in his role as Chairman, is able to facilitate the Board's oversight of such risks; (iv) this structure has a long-standing history of serving our shareholders well, through many

economic cycles, business challenges, and succession of multiple leaders; (v) the Company's current corporate governance processes, including those set forth in the various Board committee charters and corporate governance guidelines, preserve and foster independent communication amongst non-management directors as well as independent evaluations of and discussions with the Company's senior management, including the Company's Chief Executive Officer; and (vi) the role of the Lead Director, which fosters better communication among non-management directors, fortifies the Company's corporate governance practices making the separation of the positions of Chairman of the Board and Chief Executive Officer unnecessary at this time.

Committees

Each of the committees of the Board operates under a charter, copies of which are available at the "Corporate Governance" link in the investor relations section of the Company's website, www.arrow.com. As a matter of practice, beginning in May 2009, the Board determined that a director that acts as a Chair for a committee will not serve as a member of any other committee.

The Audit Committee reviews and evaluates Arrow's financial reporting process and other matters including its accounting policies, reporting practices, and internal accounting controls. The Audit Committee also monitors the scope and reviews the results of the audit conducted by Arrow's independent registered public accounting firm. It reviews with the corporate audit department (which reports to the Audit Committee) and management: (i) the scope of the annual corporate audit plan; (ii) the results of the audits carried out by the corporate audit department, including its assessments of the adequacy and effectiveness of disclosure controls and procedures and internal control over financial reporting; and (iii) the sufficiency of the department's resources. The Board has determined that Mr. Asherman, Mrs. Keeth, Mr. Kerin, and Mr. Patrick are qualified as "audit committee financial experts."

The Compensation Committee is responsible for developing and reviewing Arrow's executive compensation philosophy. It implements that philosophy through compensation programs and plans designed to further Arrow's strategy, drive long-term profitable growth, and increase shareholder value. The Compensation Committee reviews and approves the corporate goals and objectives relevant to executive compensation and, subject to review and ratification by the other non-management members of the Board, reviews and approves the base salary, annual cash incentives, performance and stock-based awards, and retirement and other benefits for the Chief Executive Officer (in executive session) and the Company's other principal executives. In establishing the foregoing, the Compensation Committee reviews the performance of each of the Named Executive Officers and the Company as a whole.

In 2013, the Compensation Committee directly engaged Pearl Meyer & Partners as a consultant to examine and report exclusively to the Compensation Committee on best practices in the alignment of compensation programs for the Chief Executive Officer and other members of senior management with corporate goals by providing competitive benchmarking data, analyses, and recommendations with regard to plan design and target compensation. Pearl Meyer & Partners does not provide any other services to the Company. Pearl Meyer & Partners' services to the Compensation Committee have not raised any conflicts of interests among the Compensation Committee, the Company, and management.

The Corporate Governance Committee has primary responsibility for developing the corporate governance guidelines for Arrow, for identifying and recommending new candidates for nomination to fill existing or expected director vacancies, and for making recommendations with respect to committee assignments and other governance issues. In addition, the Corporate Governance Committee evaluates each Board Member before recommending him or her to the full Board as nominees for re-election. The committee annually reviews and makes recommendations to the Board regarding the compensation of non-employee directors.

The Corporate Governance Committee will consider shareholder recommendations of nominees for membership on the Board as well as those recommended by current directors, Company officers, employees, and others. Such recommendations may be submitted to Arrow's Secretary, Peter S. Brown, at Arrow Electronics, Inc., 7459 South Lima Street, Englewood, CO 80112, who will forward them to the Corporate Governance Committee. Possible candidates suggested by shareholders are evaluated by the Corporate Governance Committee in the same manner as other possible candidates.

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

The Corporate Governance Committee's expectations as to the specific qualities and skills required for directors including those nominated by shareholders are set forth in Section 4 of Arrow's corporate

governance guidelines (available at the "Corporate Governance" link on the investor relations section of the Company's website, www.arrow.com).

Enterprise Risk Management

The role of the Board is to promote the best interests of the Company and its shareholders by overseeing the management of Arrow's business, assets, and affairs. Management is responsible for the day-to-day analysis and review of the risks facing the Company, including timely identification of risk and risk controls related to significant business activities, and developing programs and recommendations to determine the sufficiency of risk identification, the balance of potential risk to potential reward, and the appropriate manner in which to control risk. The Board implements its risk oversight responsibilities by having management provide regular briefing and information sessions on the significant risks that the Company faces and how the Company seeks to control those risks when appropriate. In some cases, risk oversight in specific areas is the responsibility of a Board committee, such as the Audit Committee's oversight of issues related to internal controls over financial reporting and regulatory compliance; the Governance Committee's oversight of the Board's succession planning and governance; and the Compensation Committee's oversight of risks related to compensation programs. Arrow's Chief Executive Officer has the ultimate management authority for enterprise risk management including responsibility for capability development, risk identification and assessment, and for policies, governance, and strategies and actions to address enterprise risk.

Compensation Risk Analysis

The Company believes that its executive compensation program reflects an appropriate mix of compensation elements and balances current and long-term performance objectives, cash and equity compensation, and risks and rewards associated with executive roles. The following features of the Company's executive incentive compensation program illustrate this point:

- Performance goals and objectives reflect a balanced mix of performance measures to avoid excessive weight on a certain goal or performance measure;
- Annual and long-term incentives provide a defined range of payout opportunities (ranging from 0% to 200% of target for annual cash incentives and 0% to 175% for long-term incentives);
- Total direct compensation levels are heavily weighted on long-term, equity-based incentive awards that vest over a number of years;
- Equity incentive awards that vest over a number of years are granted annually so executives always have unvested awards that could decrease significantly in value if the business is not managed for the long-term;
- The Company has implemented meaningful executive stock ownership guidelines so that the component of an executive's personal wealth that is derived from compensation from the Company is significantly tied to the long-term success of the Company; and
- The Compensation Committee retains discretion to adjust compensation based on the quality of Company and individual performance and adherence to the Company's ethics and compliance programs, among other things.

Based on the above combination of program features, the Company believes that: (i) its executives are encouraged to manage the Company in a prudent manner; and (ii) its incentive programs are not designed in a manner that encourages executives to take risks that are inconsistent with the Company's best interests.

It is the Company's opinion that the compensation policies and practices for all employees are not reasonably likely to create risks that could have a material adverse effect on the Company. The Company delivers, in the aggregate, most of its compensation in the form of base salary, with smaller portions delivered

in the form of cash incentives and long-term incentives. The Company's cash incentive compensation plans, which represent the primary variable component of compensation, have been designed to drive performance of employees working in management, sales, and sales-related roles. These plans are typically tied to achievement of sales/financial goals that include maximums that prevent "windfall" payouts.

Independence

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

To be deemed independent, a director must also meet the independence standards in the New York Stock Exchange listing rules, which the Board has adopted as its standard. The Company has determined that all non-management directors are independent.

In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making an independence determination. In making this determination regarding Mr. Hill, the Board considered that Mr. Hill is an independent director of LSI Corporation, a semiconductor manufacturer (for which the Company is an authorized distributor). In 2013, the Company purchased approximately $92,000,000 of LSI products worldwide, which is 3.9% of LSI's total sales, and less than 1% of Arrow's total purchases. The Board determined that this relationship did not impair Mr. Hill's independence because he is an independent director of LSI, and receives compensation from LSI only in connection with his services as such.

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

As required by the Company's corporate governance guidelines and the New York Stock Exchange's listing rules, all members of the Audit, Compensation, and Corporate Governance Committees are independent, non-management directors and all members of the Audit Committee and Compensation Committee also satisfy additional independence requirements.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is a present or former employee of the Company. Additionally, no member of the Compensation Committee had a relationship that requires disclosure of a Compensation Committee interlock.

Meetings and Attendance

Consistent with the Company's corporate governance guidelines, it is the practice of the Board for all of its non-management directors to meet separately (without Company management present) following each regularly scheduled Board meeting, with the Lead Director presiding. In 2013, these non-management director meetings totaled five in number.

During 2013, there were six meetings of the Board, nine meetings of the Audit Committee, five meetings of the Compensation Committee, and four meetings of the Corporate Governance Committee. All of the current directors attended 75% or more of all of the meetings of the Board and the committees on which they served. It is the policy of the Board that all of its members attend the Annual Meeting absent exceptional cause and all members of the Board did so in 2013.

Director Compensation

The independent, non-management members of the Board (that is, all members except Mr. Long) received the following fees in cash, on a pro rata basis:

Annual retainer & fee	$80,000
Annual fee for service as Corporate Governance Committee Chair	$10,000
Annual fee for service as Compensation or Audit Committee Chair	$20,000

In addition to the cash fees, each non-employee director received an annual grant of restricted stock units valued at $130,000, based on the fair market value of Arrow common stock on the date of grant. Further, the Lead Director received another annual award of restricted stock units valued at $30,000 in recognition of the additional responsibilities associated with such position.

The following Table shows the total dollar value of compensation received by all non-employee directors in or in respect of 2013.

Non-Employee Director Compensation

Name	Fees Earned ($)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Barry W. Perry	80,000	160,001	1,098	241,099
Philip K. Asherman	80,000	130,000	—	210,000
Gail E. Hamilton	90,000	130,000	2,238	222,238
John N. Hanson	97,500	130,000	717	228,217
Richard S. Hill (2)	80,000	130,000	12,440	222,440
M.F. (Fran) Keeth	97,500	130,000	—	227,500
Andrew C. Kerin	80,000	130,000	117	210,117
Stephen C. Patrick	80,000	130,000	717	210,717
John C. Waddell (3)	40,000	130,000	—	170,000

(1) Amounts shown under the heading “Stock Awards” reflect the grant date fair values of the restricted stock units granted to each director during 2013 computed in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, Compensation — Stock Compensation.

(2) Amount shown under the heading “All Other Compensation” includes the cost of spousal travel and expenses associated with a Board meeting.

(3) Mr. Waddell did not stand for re-election upon expiration of his term. As a result, his term as a director ended on May 23, 2013.

The Company historically granted stock options as part of its compensation package to the non-management members of the Board, until 2003. Because those stock options had 10 year expiration dates, any unexcercised options expired during 2013. The Company no longer uses stock options as part of its compensation offering for non-management directors.

Under the terms of the Non-Employee Director Deferred Compensation Plan, non-employee directors may defer the payment of all or a portion of their annual retainers until the end of their service on the Board. Unless a different amount is chosen by the director, 50% of the director’s annual retainer fee is automatically deferred and converted to units of Arrow common stock. Other amounts that are deferred may be invested for the benefit of the director, or should a director so choose, be converted into the stock units. The units held by each director are included under the heading “Common Stock Units” in the Shares of Common Stock Beneficially Owned Table. The amounts deferred by each director for 2013, to the extent there are any, are included under the heading “Fees Earned” on the Non-Employee Director Compensation Table. For deferrals made prior to 2008 and those made during 2009, the deferral will be paid upon termination of Board service. For deferrals during 2008, payments will be made thirty days after the director’s service ends

for those 72 years old or older at the time of resignation, and for those less than 72 years old, one year after termination of service on the Board. For deferrals during 2010 and later, payment will be made on the one-year anniversary after termination of service.

Stock Ownership by Directors

The Board believes that stock ownership by its directors strengthens their commitment to the long-term future of the Company and further align their interests with those of the shareholders generally. As a result, the corporate governance guidelines specifically state that directors are expected over time to own beneficial shares of the Company's common stock having a value of at least three times their annual retainer fee (including shares owned outright and restricted stock units and common stock units in a deferred compensation account). All directors are in compliance with this requirement.

AUDIT COMMITTEE REPORT

The Audit Committee represents and assists the Board by overseeing the Company's financial statements and internal controls; the independent registered public accounting firm's qualifications and independence; and the performance of the Company's corporate audit function and of its independent registered public accounting firm.

The Audit Committee currently consists of four directors, all of whom are independent in accordance with New York Stock Exchange listing standards and other applicable regulations. The Board has determined that all four committee members, Mr. Asherman, Mrs. Keeth, Mr. Kerin, and Mr. Patrick are "audit committee financial experts" as defined by the SEC.

Company management has the primary responsibility for the preparation of the financial statements and for the reporting process, including the establishment and maintenance of Arrow's system of internal control over financial reporting. The Company's independent registered public accounting firm is responsible for auditing the financial statements prepared by management, expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, and auditing the Company's internal control over financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with both management and the independent registered public accounting firm the Company's quarterly earnings releases, Quarterly Reports on Form 10-Q, and the 2013 Annual Report on Form 10-K. Such reviews included a discussion of critical or significant accounting policies, the reasonableness of significant judgments, the quality (not just the acceptability) of the accounting principles, the reasonableness and clarity of the financial statement disclosures, and such other matters as the independent registered public accounting firm is required to review with the Audit Committee under the standards promulgated by the Public Company Accounting Oversight Board. Also discussed with both management and the Company's independent registered public accounting firm were the design and efficacy of the Company's internal control over financial reporting.

In addition, the Audit Committee received from and discussed with representatives of the Company's independent registered public accounting firm the written disclosure and the letter required by the applicable requirements of the Public Company Accounting Oversight Board (regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence) and considered the compatibility of non-audit services rendered to Arrow with the independence of the Company's independent registered public accounting firm.

The Audit Committee also discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, and as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee also discussed with the independent registered public accounting firm and Arrow's corporate audit group the overall scope and plans for their respective audits. The Audit Committee periodically met with the independent registered public accounting firm, with and without management present, to discuss the results of their work, their evaluations of Arrow's internal controls, and the overall quality of Arrow's financial reporting.

In reliance on these reviews and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 for filing with the SEC.

M.F. (Fran) Keeth, Chair
Philip K. Asherman
Andrew C. Kerin
Stephen C. Patrick

PRINCIPAL ACCOUNTING FIRM FEES

The aggregate fees billed by Arrow's principal accounting firm, Ernst & Young LLP, for auditing the annual financial statements and the Company's internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, as amended, and related regulations included in the Annual Report on Form 10-K, the reviews of the quarterly financial statements included in the Quarterly Reports on Form 10-Q, statutory audits, assistance with and review of documents filed with the SEC, and consultations on certain accounting and reporting matters for each of the last two fiscal years are set forth as "Audit Fees" in the Table below.

Also set forth for the last two fiscal years are "audit-related" fees. Such fees are for services rendered in connection with business acquisitions, employee benefit plan audits, and other accounting consultations. Tax Return and Compliance fees relate to assistance in tax return preparation and tax audits, and compliance, in various tax jurisdictions around the world. Other Tax Related Fees refer to tax advice, planning, and consulting other than as set forth above. Ernst & Young LLP did not provide any services to the Company related to financial information systems design or implementation, or provide any personal tax work or other services for any of the Company's executive officers or members of the Board.

	2013	2012
Audit Fees	$7,090,866	$6,938,083
Audit-Related Fees	401,231	449,302
Tax Return and Compliance Fees	259,589	281,019
Other Tax Related Fees	965,386	459,200
Total	$8,717,072	$8,127,604

The amounts in the Table above do not include fees charged by Ernst & Young LLP to Marubun/Arrow, a joint venture between the Company and the Marubun Corporation. Audit fees for Marubun/Arrow totaled $354,502 and $287,052 in 2013 and 2012, respectively.

Consistent with the Audit Committee charter, audit, audit-related, tax return and compliance, and other tax related services were approved by the Audit Committee, or by a designated member thereof. The Audit Committee has determined that the provision of the non-audit services described above is compatible with maintaining Ernst & Young LLP's independence.

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF AUDITORS

Shareholders are asked to ratify the appointment of Ernst & Young LLP as Arrow's independent registered public accounting firm for the fiscal year ending December 31, 2014. Arrow expects that representatives of Ernst & Young LLP will be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and that they will be available to answer appropriate inquiries raised at the Annual Meeting. Abstentions and broker non-votes are counted only for purposes of determining whether a quorum is present at the Annual Meeting.

The Board recommends that the shareholders vote "FOR" the ratification of the appointment of Ernst & Young LLP.

PROPOSAL 3: ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Board of Directors has decided that the Company will hold an advisory "say-on-pay" vote each year in connection with its Annual Meeting, until the next vote on the frequency of shareholder votes on the compensation of executives or until the Board of Directors otherwise determines that a different frequency for such advisory votes is in the best interests of the shareholders. The next required advisory vote on the frequency will occur no later than 2017.

Shareholders have an opportunity to cast an advisory vote on compensation of the Named Executive Officers. This proposal, commonly known as "say-on-pay," gives shareholders the opportunity to approve, reject, or abstain from voting with respect to our executive compensation programs and policies and the compensation paid to the Named Executive Officers.

The Company is requesting shareholder approval of the compensation of our Named Executive Officers as disclosed in this Proxy Statement. Proposal 3 requires the affirmative vote of a majority of votes cast at the Annual Meeting. For purposes of determining the number of votes cast with respect to this Proposal 3, only those votes cast "FOR" or "AGAINST" are included. Abstentions and broker non-votes are counted only for purposes of determining whether a quorum is present at the Annual Meeting. As required by the Dodd-Frank Act, this is an advisory vote, which means that this proposal is not binding on the Company. The Compensation Committee, however, values the opinions expressed by our shareholders and will carefully consider the outcome of the vote when making future compensation decisions for our Named Executive Officers.

The Company asks that you review in detail the disclosure contained in this Proxy Statement regarding compensation of the Company's Named Executive Officers (including the Company's Compensation Discussion and Analysis, the compensation tables, and the narrative disclosures that accompany such compensation tables) and indicate your support for the compensation of the Company's Named Executive Officers that are described in this Proxy Statement.

The Board recommends that the shareholders vote "FOR" the approval of the compensation of the Company's Named Executive Officers as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K (including in the Compensation Discussion and Analysis section, or CD&A, compensation tables and accompanying narrative disclosures).

Based on the foregoing, and as a matter of good corporate governance, the Board is asking shareholders to approve the following advisory resolution at the 2014 Annual Meeting:

"RESOLVED that the shareholders of the Company approve, on an advisory basis, the compensation of the Company's Named Executive Officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes, and narrative in the Proxy Statement for the Company's 2014 Annual Meeting."

REPORT OF THE COMPENSATION COMMITTEE

The substantive discussion of the material elements of all of the Company's executive compensation programs and the determinations by the Compensation Committee with respect to compensation and executive performance for 2013 are contained in the Compensation Discussion and Analysis that follows below. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with the management representatives responsible for its preparation and the Compensation Committee's compensation consultants. In reliance on these reviews and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the definitive Proxy Statement on Schedule 14A for Arrow's 2014 Annual Meeting for filing with the SEC and be incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

John N. Hanson, Chair
Philip K. Asherman
Richard S. Hill
Barry W. Perry

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Introduction

The Company's philosophy regarding executive compensation is to reward its executives for their contribution to the Company's performance and shareholder value by tying a significant portion of their total compensation directly to the Company's short- and long-term performance. The elements of the executives' total compensation are base salary, annual cash incentive awards, long-term incentive awards, and retirement and other employee benefits. The Company designed a compensation program that makes a substantial percentage of executive pay variable, subject to increase when Company performance exceeds targeted levels and reduction when Company performance targets are not achieved.

Say-On-Pay Feedback from Shareholders

In 2013, the executive compensation program for 2012 was submitted to an advisory vote of the shareholders and it received the support of approximately 89% of the total votes cast at the Annual Meeting. Based on the high level of approval received from shareholders and the Compensation Committee's determination that existing programs were operating properly, the Company made no significant changes to its executive compensation programs in 2013. While the Compensation Committee had already approved the executive compensation program for 2013 by the time of the say-on-pay vote in May 2013, the Compensation Committee has and will continue to carefully consider any shareholder feedback in its executive compensation decisions and will hold a say-on-pay vote annually. Additionally, the Company terminated all Named Executive Officer employment and change of control agreements, and replaced them with a Severance Policy, with corresponding Participation Agreements, and Change in Control Retention Agreements, each as described further in the section entitled "Agreements and Potential Payments upon Termination or Change in Control."

Pay-for-Performance

A significant portion of the total compensation of the Named Executive Officers is directly linked to Company performance in the form of incentive awards of cash and equity. The Company believes this provides its executives an opportunity to earn above average compensation if the Company delivers superior results. In fiscal 2013, 80% of the Named Executive Officers' target compensation was variable and tied to corporate performance, measured by earnings per share ("EPS"), return on invested capital, stock performance, and team goals.

Equity awards. One way the Company links pay and performance is to grant a significant amount of the Named Executive Officers' compensation in the form of equity awards. In 2013, 60% of the target compensation of the Named Executive Officers was in the form of equity.

Annual cash incentive awards. The Company also links a significant portion of the Named Executive Officers' annual cash incentive compensation to Company performance, measured mainly by EPS and, to a lesser extent, achievement of team goals. This provides the Company with the flexibility of using a variable expense structure, which varies cash incentive compensation based on actual performance against annual expectations. In 2013, 70% of the Named Executive Officers' annual cash incentive compensation was tied to EPS.

Compensation Program Highlights

For fiscal 2013, the Company believes its compensation programs delivered payments commensurate with its performance. Below are the highlights of the executive compensation program:

- Elements of the Compensation Program. The Company has designed the executive compensation program to be largely performance-based. As further described in "Elements of Total Compensation," the Named Executive Officers' compensation consists primarily of base salary, short-term cash incentive awards, and long-term equity incentive awards.

Base Salary. In fiscal 2013, Messrs. Reilly and Bryant received salary increases of 3.8% and 8.7%, respectively. These increases were intended to keep salaries competitive and consistent with the Company's compensation philosophy. None of the other Named Executive Officers received increases. All car allowances were eliminated and the amount of such allowances were added to the base salaries of the Named Executive Officers.

Annual Cash Incentive Awards. EPS and team goals are the key metrics for the Named Executive Officers' annual cash incentive awards. For 2013, the Company's performance with respect to EPS and team goals was 108.9% and 100.0%, respectively, and therefore resulted in the payment of annual cash incentive awards above target levels for the Named Executive Officers.

Long-Term Incentive Plan ("LTIP"). Long-term incentive compensation continues to make up the majority of compensation for each of the Named Executive Officers and is comprised primarily of equity awards which have value that is closely linked to the Company's EPS growth relative to its peers. In 2013, the Named Executive Officers were awarded long-term incentives in a mixture of 50% performance stock units, 25% restricted stock units, and 25% stock options.

- Pay and Governance Practices. The Company uses pay practices that are consistent with a pay-for-performance compensation philosophy and follows good governance practices:

The Company does not provide extensive perquisites to executives or provide tax gross-ups.

There are no guaranteed salary increases or discretionary bonuses and the Company has stock ownership guidelines for its Named Executive Officers.

The Company analyzes the impact of risk in its compensation program to ascertain that it does not encourage excessive risk-taking on the part of senior executives.

Any benefits accruing as a result of a change in control are double trigger, requiring both a change in control and termination of employment, and 280G gross-ups are not provided.

While the Named Executive Officers participate in a Supplemental Executive Retirement Program ("SERP"), such program is part of a legacy plan that has been in existence since 1990. This plan covers a very limited number of executives and is intended to strengthen retention.

Overview and Philosophy

As a large global provider of technology solutions operating in a highly competitive market, the Company views its people as critical assets and key drivers of its success. The Company's executive compensation program, under the direction of the Compensation Committee, is designed to motivate, attract, and retain talented executives who are capable of successfully leading the Company's complex global operations and creating long-term shareholder value. The program is structured to support Arrow's strategic goals and reinforce high performance with a clear emphasis on accountability and performance-based pay for achievement of stated goals. Following is a detailed discussion of the Company's executive compensation

program and how it is applied to the Named Executive Officers listed in the Summary Compensation Table of this Proxy Statement.

Executive Compensation Objectives

Arrow's executive compensation program is designed to:

- Drive performance in support of the business strategy;
- Attract and retain strong talent;
- Vary pay based on Company and individual performance; and
- Align the interests of executives with those of long-term shareholders.

The use of compensation to drive and reward performance is reflected in Arrow's emphasis on performance-based compensation, while the importance of alignment with shareholder interests in long-term value creation is reflected in the equity-based components of the total compensation mix. Arrow's pay-for-performance focus is evident in the substantially greater weight given to performance-based compensation versus fixed compensation.

Total Compensation Process

The Compensation Committee reviews the target total compensation of the Named Executive Officers, including base salaries, target annual cash incentives, target long-term incentives, severance arrangements, and all other benefits and perquisites to ensure that all of its elements are appropriate based on historical practices, market conditions, competitive benchmarking data, and the furtherance of the Company's strategic objectives. The Compensation Committee also reviews the historical detail of each executive's prior year compensation and performance.

The Compensation Committee considers performance reviews prepared by the Chief Executive Officer for his direct reports and conducts its own performance review of the Chief Executive Officer. The Compensation Committee reviews the Company's performance on the metrics relevant to the execution of its strategy and evaluates the Chief Executive Officer's performance in light of that execution. For Named Executive Officers other than the Chief Executive Officer, the Compensation Committee's review includes input provided to the Compensation Committee by the Chief Executive Officer, but all decisions regarding Named Executive Officer pay are ultimately made by the Compensation Committee.

Compensation Committee meetings are regularly attended by the Company's Chief Executive Officer, the General Counsel, the Vice President of Legal Affairs (who also serves as secretary of the meetings), the Senior Vice President of Global Human Resources, the Chief Financial Officer, and the Vice President Global Total Rewards & Technology. Each of the management attendees provides the Compensation Committee with his or her specific expertise and the business and financial context necessary to understand and properly target financial and performance metrics. None of the members of management are present during the Compensation Committee's deliberations regarding their compensation, but the Company's independent compensation consultant, Pearl Meyer & Partners, participates in those discussions.

Additionally, Pearl Meyer & Partners provides the Compensation Committee with competitive data regarding market compensation levels at the 25th, 50th, and 75th percentiles for total compensation and for

each major element of pay. The Compensation Committee also considers the compensation of other Company executives, levels of responsibility, prior experience, breadth of knowledge, and job performance in reviewing target total compensation levels.

Competitive Benchmarking and Use of Consultants

The Compensation Committee has selected and engaged Pearl Meyer & Partners as its independent compensation consultant to provide it with expertise on various compensation matters, including competitive practices, market trends, and specific program design. Pearl Meyer & Partners reports directly to the Compensation Committee and does not provide any other services to the Company or its management. Pearl Meyer & Partners' services to the Compensation Committee have not raised any conflicts of interests between the Compensation Committee, the Company, and management.

To ensure that executive compensation plans and levels are appropriate and competitive, the Compensation Committee reviews analyses on peer company practices at various times throughout the year. Information on total compensation levels is considered in the context of peer performance analyses in order to effectively link compensation to absolute and relative performance. Through this process, and with input from its independent compensation consultants and management, the Compensation Committee determines appropriate benchmarking targets each year. The Compensation Committee concluded that generally targeting total direct compensation (the sum of base salary, annual cash incentives, and long-term incentives) at the market 50th percentile is appropriate. For the purpose of Arrow's annual competitive benchmarking study, market data consists of an equal blending of data from industry/size relevant executive compensation surveys and the Company's peer group. Pearl Meyer & Partners used several surveys to benchmark pay levels in 2013: 2013 Mercer U.S. Top Executive Survey; 2012/2013 Towers Watson Top Management Survey; and 2013 Pearl Meyer & Partners CHiPs Executive & Senior Management Total Compensation Survey.

The Compensation Committee evaluates the appropriateness of each Named Executive Officer's compensation as positioned against the market 50th percentile based on factors that include Company and business unit performance, job scope, and individual performance. To the extent the Compensation Committee deems that the compensation level associated with a Named Executive Officer's position versus the market is not aligned with the relevant factors, the Compensation Committee may choose to modify one or more of the compensation components.

The Compensation Committee, with input from its independent compensation consultant, annually reviews and approves the peer companies used for benchmarking to ensure they continue to meet its objectives. For 2013, the Compensation Committee reviewed analyses of compensation paid by companies in the Company's peer group from a benchmark study prepared by Pearl Meyer & Partners. At the Compensation Committee's request, Pearl Meyer & Partners conducted a comprehensive review of the peer group used in 2012, and no changes were made.

The peer group companies reflect a combination of direct and broader industry peers. The companies used for 2013 compensation benchmarking consisted of the following ("Peer Group"):

- Anixter International Inc.
- Avnet, Inc.
- Celestica Inc.
- Flextronics International Ltd.
- Ingram Micro Inc.
- Jabil Circuit, Inc.
- Tech Data Corporation
- WESCO International, Inc.

The Compensation Committee also reviews other benchmarking data from time to time. This data can cover a variety of areas such as equity vesting practices, the prevalence of performance metrics among peer companies, types of equity vehicles used by peer companies, severance practices, equity burn rates, and any other market data the Compensation Committee needs to consider when evaluating the Company's executive compensation program.

Elements of Total Compensation

The following summarizes the compensation elements used to reward, motivate, and retain Arrow's executives.

Base Salary

To attract the necessary executive talent and maintain a stable executive team, the Compensation Committee generally targets executive officer base salaries for seasoned executives at approximately the 50th percentile paid for comparable jobs at similar companies. The 50th percentile includes data from Arrow's Peer Group and from compensation surveys used to develop competitive pay data. Decisions regarding base salaries are made annually based on a number of factors, including:

- Individual performance;
- Company or business unit performance;
- Job responsibilities;
- Relevant benchmarking data; and
- Internal budget guidelines.

For Named Executive Officers other than the Chief Executive Officer, the Compensation Committee, in consultation with its independent compensation consultant, reviews the base salary recommendations provided by the Chief Executive Officer. The Compensation Committee then makes a final determination of base salaries for the Named Executive Officers. The Chief Executive Officer's base salary is determined by the Compensation Committee in executive session based on its evaluation of his individual performance, the Company's performance, and relevant benchmark data.

The Compensation Committee met in February 2013 to conduct its annual review of base salaries for Arrow's Named Executive Officers. The Compensation Committee awarded base salary increases to Mr. Reilly and Mr. Bryant of 3.8% and 8.7%, respectively, to keep their salaries competitive and consistent with the Company's compensation philosophy and to keep their salaries in line with market rate. None of the other Named Executive Officers received increases. All car allowances were terminated and the amount of such allowances were added to the base salaries of the Named Executive Officers.

Performance-Based Compensation

Annual performance-based cash incentives and equity-based long-term incentives play a significant role in the executives' overall compensation at Arrow. They are essential to linking pay to performance, aligning compensation with organizational strategies and financial goals, and rewarding executives for the creation of shareholder value. All of the Named Executive Officers participate in each of the programs discussed below.

The following chart reflects the weighted average distribution of the elements of the Named Executive Officers' target compensation as a group, based on grant date values. The chart shows that, excluding SERP accumulations, 80% of the Company's Named Executive Officers' target compensation was performance-based, including 60% delivered in the form of Arrow equity. Tying pay to the Company's performance reflects the Compensation Committee's emphasis on "at-risk" compensation and accountability in support of the Company's strategic initiatives. The Compensation Committee has weighted the pay components to establish a total compensation package that effectively motivates the Company's leaders to drive superior performance in a manner that benefits the interests of shareholders but does not encourage excessive risk taking. Each form of performance-based compensation is discussed below.

Named Executive Officers
2013 Target Total Compensation Distribution

Annual Cash Incentives

Arrow's annual cash incentives are designed to reward individuals for performance against pre-established targets that are set by the Compensation Committee at the beginning of the year. Each of the Company's Named Executive Officers is assigned an annual cash incentive target. Annual cash incentive targets are established based on market compensation analysis within the context of targeting total direct compensation at the 50th percentile.

In order to provide consistency among management levels, the annual cash incentive for each of the Named Executive Officers follows the structure of the Company's Management Incentive Compensation Plan ("MICP"). The MICP is based on a combination of financial and non-financial goals, which are weighted 70% and 30%, respectively for executives of the Company. Of the 70% financial component, executives will earn 0% on this portion if performance falls below the pre-established threshold and can earn up to 200% on this portion for performance at or above the maximum levels. For 2013, the financial component was comprised of one performance metric, EPS, as defined when establishing the annual metric targets, for all Named Executive Officers. The Compensation Committee selected EPS to reinforce the Company's overall profit objectives, based on the rationale that EPS is a primary driver of shareholder value.

Executives can also earn between 0% and 200% of the 30% non-financial component of MICP based on the Compensation Committee's evaluation of each individual's performance against his pre-established

non-financial goals. The non-financial goals may be strategic or tactical, but all are designed to be specific and measurable and to further the objectives of the Company. For 2013, the non-financial component of MICP was based on team performance goals.

The 2013 annual cash incentive metrics and results against those metrics for the Named Executive Officers are set forth in the following Table:

Performance Metric	Performance Range	Achievement Percentage	Weighting	Weighted Achievement %
Arrow Earnings Per Share	$3.36 - $5.60**	108.9%	70%	76.23%
Team Performance Goals	0%-200%	100.0%	30%	30.00%
Total	—	—	100%	106.23%

** Achievement of each performance metric at the midpoint of the performance range would result in a payout of 100% of the target opportunity for such metric and all other payments are interpolated based on the applicable performance range. For example, with respect to the EPS metric, if EPS equals $4.48, the resulting payout would be 100% of the target opportunity and achievement below $3.36 or above $5.60 would result in payouts of 0% or 200% of the target opportunity, respectively, on that performance metric.

For Mr. Long, the Compensation Committee applied the same basic methodology described above, including the same 70% financial component based on the above EPS performance range, and as stated in the Table above he attained 108.9% achievement on his financial goal. The Compensation Committee tied the 30% non-financial component for Mr. Long's annual cash incentive to individual contributions made relative to strategic business imperatives of the organization. Based on the Compensation Committee's assessment of Mr. Long's successful performance on his non-financial objectives, it awarded him 100.0% on his other individual performance and team goals. This resulted in a total weighted achievement percentage of 106.23% for Mr. Long and an annual cash incentive of $1,380,990. The performance goals details under Section 162(m) requirements are discussed under the heading “Tax and Accounting Considerations.”

Long-Term Incentives

The Company's LTIP is designed to promote a balanced focus on driving performance, retaining talent, and aligning the interests of the Company's executives (including the Named Executive Officers) with those of its shareholders. Under the LTIP structure described below, awards are expressed in dollars and normally granted annually. The program includes a mix of performance stock units, restricted stock units, and stock options. The following is an overview of the long-term incentive program components.

LONG-TERM INCENTIVE PLAN STRUCTURE FOR 2013 GRANTS

Equity-Based Long-Term Instrument	Target Weighting as a % of Long-Term Award	Purpose	Award Terms
Performance Stock Units ("PSUs")	50%	Rewards for three-year EPS growth relative to eight Arrow peer companies, as adjusted for Arrow's three-year return on invested capital in excess of weighted average cost of capital Align long-term interests with those of shareholders Further supports pay for performance — awards earned are directly related to relative performance	The number of PSUs earned (from 0% to 175% of target number of PSUs granted) are based on the Company's performance over a three-year period Vesting is contingent upon the Company achieving 2013 net income, as adjusted, greater than zero PSUs are paid out in shares of Arrow stock at the end of the three-year vesting term
Restricted Stock Units ("RSUs")	25%	Align long-term interests with those of shareholders Award value is directly related to the performance of the Company's stock Aids in the retention of our Named Executive Officers	Vest in four equal annual installments beginning on first anniversary of grant. Vesting is contingent upon the Company achieving 2013 net income, as adjusted, greater than zero RSU's are paid out in shares of Arrow stock when vested
Stock Options	25%	Rewards for stock price appreciation	Vest in four equal annual installments beginning on first anniversary of grant Exercise price is equal to 100% of closing price on grant date Options expire ten years from grant date

The Compensation Committee makes LTIP award decisions for executives based on input from the Chief Executive Officer (other than for himself), prior grant history, the Compensation Committee’s own assessment of each executive’s contribution, potential contribution, performance during the prior year, peer compensation benchmarking analysis, and the long-term incentive award practices of the Peer Group discussed above. The target LTIP award level is set based on the median of the benchmark data gathered and adjusted by the Committee's assessment of each executive on the elements described above.

The Compensation Committee also evaluates the Chief Executive Officer’s performance in light of the factors discussed above to determine his annual long-term incentive award. That award and those for the other Named Executive Officers for 2013 are set forth below. For more detail, including the expense to the Company associated with each grant, see the Grants of Plan-Based Awards Table.

It is the practice of the Compensation Committee to make annual equity grants at the first regularly scheduled Board meeting of the calendar year. Hiring and promotion grants are made at the next regularly scheduled meeting of the Board that follows such an event, and in instances where retention awards are advisable, grants are made at the appropriate meeting. All stock option grants are made with exercise prices equal to the value of the Company stock on the grant date to ensure participants derive value only as shareholders realize corresponding gains over an extended time period. None of the options granted by the Company, as discussed throughout this Proxy Statement, have been repriced, replaced, or modified in any way since the time of the original grant. The Company’s burn rate of 1.29% of weighted average basic common shares outstanding reflects its active management of equity shares used under its long-term incentive plan.

2013 LTIP Awards. The 2013 long-term incentive awards for the Named Executive Officers were granted on February 19, 2013 and are listed in the following Table.

	Performance Stock Units Awarded	Restricted Stock Units Awarded	Stock Options Awarded
Michael J. Long (1)	57,747	40,905	75,809
Paul J. Reilly	19,249	9,625	25,270
Peter T. Kong	14,436	7,219	18,953
Andrew S. Bryant	12,632	6,317	16,584
Peter S. Brown	9,925	4,963	13,030

(1) “Restricted Stock Units Awarded” include a one-time retention grant of 12,031 Restricted Stock Units. All units vest three years from grant date and are forfeited if Mr. Long retires or resigns prior to such vesting date.

Performance Stock Units (PSUs). The 2013 PSU awards, representing 50% of the total LTIP award value, are tied to Arrow’s three-year EPS growth as compared to the EPS growth of Arrow’s Peer Group and adjusted for Arrow’s three-year average return on invested capital (“ROIC”) in excess of its three-year weighted average cost of capital (“WACC”). The Compensation Committee chose EPS and ROIC as performance metrics in order to reward participants for successfully balancing profit maximization and the efficient use of capital, both key drivers in creating shareholder value. Provided the Company achieves a net income, as adjusted, of greater than zero, participants may earn from 0% to 175% of their targeted PSUs based on the matrix below, subject to the individual’s continued employment through the applicable vesting date.

3-Year ROIC-WACC	PAYOUT AS % OF TARGET								
3.0% or more	0%	35%	75%	105%	115%	125%	135%	155%	175%
2.0% to 2.9%	0%	30%	70%	100%	110%	120%	130%	150%	170%
0.6% to 1.9%	0%	25%	65%	95%	105%	115%	125%	145%	165%
0.5% to -0.5%	0%	0%	60%	90%	100%	110%	120%	140%	160%
-0.6% to -1.9%	0%	0%	55%	85%	95%	105%	115%	135%	155%
-2.0% to -2.9%	0%	0%	50%	80%	90%	100%	110%	130%	150%
-3.0% or less	0%	0%	45%	75%	85%	95%	105%	125%	145%
	9	8	7	6	5	4	3	2	1
	3-Year EPS % Change Ranking vs. Peer Companies								

PSU grants made since 2010 have used this same three-year period, matrix, and peer group to determine payout levels. For the PSUs granted in 2011, the performance period was completed at the end of calendar 2013, with the payout level approved by the Compensation Committee in February 2014 based on the three year (2011-2013) results. One of the companies in the Company's peer group announced in 2013 that it would restate its previously issued quarterly and audited annual financial statements for the period including 2011 to 2013. Because accurate financial data for that period was not available for this company on the day of the Compensation Committee meeting, the Company did not consider its performance in determining the 2011 grant performance payout. As a result, the Compensation Committee calculated the above formula based on a peer group of seven companies rather than eight. In so doing, the Company determined that its EPS growth was ranked 4th among the reporting peer companies. The Company's average return on invested capital exceeded its weighted average cost of capital by greater than 3.0% during the same period. Based on these results, the Compensation Committee approved the PSUs granted in 2011 to vest in February

2014 at 120% of the target levels. The peer company has since issued its restated financial data and, had that data been available on the date of the Compensation Committee's payout determination, it would have resulted in a payout of 125%, five percent higher than the amount awarded.

Restricted Stock Units (RSUs). Grants of RSUs represent 25% of the LTIP value for the Named Executive Officers and vest in 25% increments on each of the first four anniversaries of the date of grant contingent upon the Company achieving net income, as adjusted, greater than zero and subject to the individual’s continued employment through the applicable vesting date. RSUs are intended to provide the Named Executive Officers with the economic equivalent of a direct ownership interest in the Company during the vesting period and provide the Company with significant retention security regardless of post-grant share price volatility.

Stock Options. Stock option grants also represent 25% of the LTIP value and vest in 25% increments on each of the first four anniversaries of the date of grant, subject to the individual’s continued employment through the applicable vesting date. The Company grants stock options to provide the Named Executive Officers with a strong incentive to drive long-term stock appreciation for the benefit of the Company’s shareholders. Each stock option allows the holder to acquire shares of the Company at a fixed exercise price (stock closing price on grant date) over a ten-year term, providing value only to the extent that the Company’s share price appreciates over that period.

Retirement Programs and Other Benefits

In keeping with its total compensation philosophy and in light of the need to provide a total compensation and benefit package that is competitive within the industry, the Compensation Committee believes that the retirement and other benefit programs discussed below are critical elements of the compensation package made available to the Company’s executives.

Qualified Plans

The Named Executive Officers participate in the Arrow Electronics Savings Plan (“401(k) Plan”), which is available to all of Arrow's U.S. employees, and previously received annual contributions under the ESOP. Company contributions to the 401(k) Plan on behalf of the Named Executive Officers are included under the heading “All Other Compensation” in the Summary Compensation Table and specified under the heading “401(k) Company Contribution” on the All Other Compensation Detail Table. Effective December 31, 2012, the ESOP was frozen to new participants and no further contributions will be made by the Company on behalf of participants in the plan. The account balances of participants in the ESOP became fully vested as of that same date. In lieu of contributions to the ESOP, the Company considers annually a discretionary contribution to the 401(k) Plan, subject to Compensation Committee approval.

Supplemental Executive Retirement Plan

The Company maintains the Arrow Electronics, Inc. SERP, a non-qualified, unfunded retirement plan in which, as of December 31, 2013, ten then-current executives participated. All of the Named Executive Officers participate in the SERP, the details of which are discussed under the heading “SERP”.

Management Insurance Program

All of the Named Executive Officers participate in Arrow’s Management Insurance Program. In the event of the death of the executive, the Company provides a life insurance benefit (after tax) to the executive’s named beneficiary equal to four times the executive’s annual target cash compensation. The benefit ends with separation of service.

Current death benefits for each executive are set forth on the Potential Payouts Upon Termination Table. Premiums paid by the Company on behalf of each executive are included under the heading “All Other Compensation” in the Summary Compensation Table and specified under the heading “Management Insurance Plan” on the All Other Compensation Detail Table.

Termination of Employment and Change of Control Agreements

The Company historically entered into employment and change in control agreements with senior management to establish key elements of employment. In light of recent market trends to eliminate individual employment agreements with senior management and, based on the recommendation of the Compensation Committee, in December 2012, the Company and Compensation Committee created a common policy for severance and a replacement change in control agreement (called an executive Change in Control Retention Agreement) for its executives. The new Severance Policy, corresponding Participant Agreements, and executive Change in Control Retention Agreements were approved by the Compensation Committee and effective as of April 1, 2013 and are described in detail in the section entitled "Agreements and Potential Payments upon Termination or Change in Control."

Stock Ownership Requirements

The Compensation Committee recognizes the importance of equity ownership by delivering a significant portion of the executives' total compensation in the form of equity. To further align the interests of the Company's executives with those of shareholders, the Company requires its executives to hold specified amounts of Arrow stock. The Named Executive Officers are required to hold Arrow equity valued at a multiple of three times their base salaries, except the Chief Executive Officer, who must hold five times his base salary. Until specified levels of ownership are achieved, the Named Executive Officers are required to retain an amount equal to 50% of the net shares acquired through vesting of restricted shares/units, performance shares/units, and shares received as a result of the exercise of stock options.

Shares that count toward satisfaction of the stock ownership requirements include:

- Shares owned directly and indirectly;
- Shares owned by the executive in the ESOP plan;
- Performance shares/units (after any performance conditions have been satisfied);
- Unvested restricted shares/units (after any performance conditions have been satisfied); and
- The "in-the-money" value of vested stock options.

Arrow does not maintain stock option and restricted share holding periods since the Company believes the current stock ownership requirements require executives to hold a meaningful amount of Arrow stock.

Anti-Hedging Policy

The Compensation Committee adopted an anti-hedging policy in December 2013. This policy provides that our directors, executive officers, and certain other employees may not directly or indirectly engage in transactions that would have the effect of reducing the economic risk of holding our securities. The policy prohibits them from engaging in short term trading, buying or selling put or call options, short sales, or entering into hedging transactions, on the open market with respect to their ownership of Company securities. The Company's General Counsel, in certain limited circumstances, may approve in advance specific transactions which would otherwise be prohibited by the policy. A copy of the policy is available at the "Corporate Governance" link in the investor relations section of the Company's website, www.arrow.com.

Tax and Accounting Considerations

A variety of tax and accounting considerations influence the Compensation Committee's development and implementation of the Company's compensation and benefit plans. Among them are Section 162(m) of the Internal Revenue Code, which limits to $1 million the amount of non-performance-based compensation that Arrow may deduct in any calendar year for its Chief Executive Officer and Named Executive Officers other than the Chief Financial Officer. Compensation that meets the regulatory definition of "performance-based" is not subject to this limit.

The Company’s incentive awards described above that were awarded to the Named Executive Officers are generally designed to meet these requirements so that Arrow can continue to deduct the related expenses. As required, shareholders have approved the basis for performance goals for awards made to Named Executive Officers.

- The annual cash incentive plan included a maximum award based on a formula approved by the Compensation Committee to comply with the regulations of Section 162(m). The formula is based on a net income above a pre-established target level and sales divided by net working capital. Once this maximum annual cash incentive amount is determined, the Compensation Committee may exercise negative discretion to reduce the amounts to be paid to Named Executive Officers based on the methodology described above.
- PSUs awarded to the Named Executive Officers were subject to performance criteria that required that the Company achieve an annual net income, as adjusted, greater than zero, in which case an award of 175% may be approved by the Compensation Committee. The Committee may then exercise negative discretion to reduce the amount of the award. In so doing, the Committee considers the company's three-year EPS growth as compared to the EPS growth of Arrow’s Peer Group and adjusts for Arrow’s three-year average return on invested capital in excess of its three-year weighted average cost of capital.
- RSUs awarded to the Named Executive Officers were subject to performance criteria that required that the Company achieve an annual net income, as adjusted, greater than zero (in the grant year) or the award would be canceled.
- Stock Options awarded to the Named Executive Officers were granted with an exercise price equal to the closing market price of the common stock on the grant date, such that all value realized by the Named Executive Officers upon exercise would be based on share appreciation from the date of grant.

The Compensation Committee’s policy, in general, is to maximize the tax deductibility of compensation paid to executive officers under Section 162(m). The Compensation Committee recognizes, however, that in order to effectively support corporate goals, not all amounts may qualify for deductibility. All compensation decisions for executive officers are made with full consideration of the Section 162(m) implications.

As discussed below, the Company has amended the relevant agreements and policies as appropriate in order to avoid penalties to executives under Section 409A. The Company provides no tax gross-ups under Sections 280G and 4999 in the event of a change in control.

Compensation Practices and Risk

At the Compensation Committee’s request, in 2013 Pearl Meyer & Partners conducted an assessment of risk associated with the Company’s annual cash incentive and long-term equity incentives programs, the results of which were discussed by the Compensation Committee in its meeting in July 2013. The Compensation Committee concluded the overall design of the Company’s compensation programs maintained an appropriate level of risk. No suggested plan design changes were recommended to further mitigate risk exposure.

COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

Summary Compensation Table

The following Table provides certain summary information concerning the compensation of the Named Executive Officers for 2013, 2012, and 2011.

Summary Compensation Table

	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Stock Option Awards ($)(2)	Non-Equity Incentive Compensation ($)(3)	Change in Pension Value & NQDC Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
Michael J. Long	2013	1,010,200	—	4,099,976	1,200,011	1,380,990	2,090,970	47,610	9,829,757
Chief Executive	2012	1,000,000	—	2,850,007	950,002	1,200,000	2,783,675	47,862	8,831,546
Officer	2011	900,000	—	2,325,037	775,002	1,200,000	2,147,569	48,745	7,396,353
Paul J. Reilly	2013	685,200	—	1,200,003	400,009	717,053	1,242,133	26,850	4,271,248
Executive Vice	2012	650,000	—	1,200,003	400,004	593,580	1,367,989	34,603	4,246,179
President, Finance & Operations & Chief Financial Officer	2011	575,000	—	1,124,989	375,014	572,164	950,422	34,277	3,631,866
Peter T. Kong	2013	543,400	—	899,982	300,015	573,642	32,884	326,883	2,676,806
President, Arrow	2012	540,000	—	825,003	275,014	493,128	144,360	275,876	2,553,381
Global Components	2011	525,000	—	693,712	231,255	481,822	125,504	1,012,013	3,069,306
Andrew S. Bryant	2013	510,200	—	787,521	262,515	467,412	438,598	28,684	2,494,930
President, Arrow	2012	460,000	—	712,502	237,500	365,280	402,265	37,005	2,214,552
Global Enterprise Computing Solutions	2011	450,000	—	600,005	200,009	403,526	297,983	40,994	1,992,517
Peter S. Brown	2013	500,200	—	618,745	206,257	318,690	519,280	32,269	2,195,441
Senior Vice	2012	490,000	—	618,712	206,257	273,960	77,223	41,047	1,707,199
President & General Counsel	2011	490,000	—	618,730	206,252	361,367	115,433	43,342	1,835,124

(1) Amounts shown under the heading “Stock Awards” reflect the grant date fair values of such awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For stock awards that are subject to performance conditions, such awards are computed based upon the probable outcome of the performance conditions as of the grant date. Assuming the maximum performance is achieved for stock awards that are subject to performance conditions, amounts shown under this heading for Messrs. Long, Reilly, Kong, Bryant, and Brown would be $5,899,951, $1,799,995, $1,349,952, $1,181,260, and $928,108, respectively for 2013, $4,274,991, $1,799,995, $1,237,484, $1,068,733, and $928,058, respectively for 2012, and $3,487,536, $1,687,464, $1,040,559, $889,987, and $928,086, respectively for 2011. For 2013, Mr. Long's stock awards includes a one-time retention grant valued at $500,008 (12,031 Restricted Stock Units) that vests in its entirety three years from the grant date and is forfeited if Mr. Long retires or resigns prior to such vesting date.

(2) Amounts shown under the heading “Stock Option Awards” reflects the grant date fair values for stock option awards calculated using the Black-Scholes option pricing model based on assumptions set forth in Note 12 to the Company’s Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31,

2013.

(3) The amounts shown under “Non-Equity Incentive Compensation” are the actual amounts paid for both the financial and non-financial goals related to the Named Executive Officer’s MICP awards.

(4) The amounts shown under the heading “Change in Pension Value & NQDC Earnings” reflect the difference from year-to-year in the present value of each executive’s accumulated pension plan benefit as discussed below under the heading “SERP.”

(5) See the All Other Compensation — Detail Table below.

All Other Compensation — Detail

This Table sets forth each of the elements comprising each Named Executive Officer’s 2013 “All Other Compensation” from the Summary Compensation Table, above.

All Other Compensation

Name	Perquisites Management Insurance Plan ($)	Other ($)	401(k) Company Contribution ($)	Total ($)
Michael J. Long	29,800	6,410	11,400	47,610
Paul J. Reilly	13,300	2,150	11,400	26,850
Peter T. Kong (1)	29,300	287,898	9,685	326,883
Andrew S. Bryant	15,984	2,551	10,149	28,684
Peter S. Brown	15,700	5,169	11,400	32,269

(1) For Mr. Kong, “Other” includes his expatriate assignment allowance of $259,407 and relocation expenses of $25,169. Mr. Kong's expatriate allowance comprises $146,532 for tax related expenses, $64,000 for housing, $19,594 for home leave, $15,360 for cost of living adjustments, and $13,921 for car allowance.

Certain of the Named Executive Officers have been accompanied by family members during business travel on aircraft (of which the Company owns fractional shares) at no incremental cost to the Company.

Grants of Plan-Based Awards

The following Table provides information regarding the 2013 annual cash incentives and awards of performance shares and restricted stock in 2013.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	All Other Option Awards: Number of Securities Underlying Options (#)(4)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(5)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Michael J. Long	2013	325,000	1,300,000	2,600,000	—	—	—	—	—	—	—
	2/19/2013	—	—	—	14,437	57,747	101,057	—	—	41.56	2,399,965
	2/19/2013	—	—	—	—	—	—	28,874	—	41.56	1,200,003
	2/19/2013 (6)	—	—	—	—	—	—	12,031	—	41.56	500,008
	2/19/2013	—	—	—	—	—	—	—	75,809	41.56	1,200,011
Paul J. Reilly	2013	168,750	675,000	1,350,000	—	—	—	—	—	—	—
	2/19/2013	—	—	—	4,812	19,249	33,686	—	—	41.56	799,988
	2/19/2013	—	—	—	—	—	—	9,625	—	41.56	400,015
	2/19/2013	—	—	—	—	—	—	—	25,270	41.56	400,009
Peter T. Kong	2013	135,000	540,000	1,080,000	—	—	—	—	—	—	—
	2/19/2013	—	—	—	3,609	14,436	25,263	—	—	41.56	599,960
	2/19/2013	—	—	—	—	—	—	7,219	—	41.56	300,022
	2/19/2013	—	—	—	—	—	—	—	18,953	41.56	300,015
Andrew S. Bryant	2013	110,000	440,000	880,000	—	—	—	—	—	—	—
	2/19/2013	—	—	—	3,158	12,632	22,106	—	—	41.56	524,986
	2/19/2013	—	—	—	—	—	—	6,317	—	41.56	262,535
	2/19/2013	—	—	—	—	—	—	—	16,584	41.56	262,515
Peter S. Brown	2013	75,000	300,000	600,000	—	—	—	—	—	—	—
	2/19/2013	—	—	—	2,481	9,925	17,369	—	—	41.56	412,483
	2/19/2013	—	—	—	—	—	—	4,963	—	41.56	206,262
	2/19/2013	—	—	—	—	—	—	—	13,030	41.56	206,257

(1) These columns indicate the potential payout for both the financial and non-financial goals related to the Named Executive Officer's MICP awards. The threshold payment begins at the achievement of 25% of the targeted goal, the target amount at achievement of 100% of the goal, and payment carries forward to a maximum payout of 200% of the target amount. The actual amounts paid to each of the Named Executive Officers under this plan for each year are included under the heading "Non-Equity Incentive Compensation" on the Summary Compensation Table.

(2) These columns indicate the potential number of units which will be earned based upon each of the Named Executive Officer's PSU awards. The threshold payment begins at the achievement of 25% of the targeted goal, the target amount at achievement of 100% of the goal, and payment carries forward to a maximum payout of 175% of the target amount. The grant amount is equal to the Target.

(3) This column reflects the number of restricted stock units granted in 2013.

(4) This column and the one that follows reflect the number of stock options granted and their exercise price.

(5) Grant date fair values for restricted stock and performance units reflect the number of shares awarded (at target for the performance units) multiplied by the grant date closing market price of Arrow common stock. Grant date fair values for stock option awards are calculated using the Black-Scholes option pricing model based on assumptions set forth in Note 12 to the Company's Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2013.

(6) Mr. Long received a one-time retention grant that vests three years from the grant date and is forfeited if he resigns or retires prior to such vesting date.

Outstanding Equity Awards at Fiscal Year-End

The Outstanding Equity Table shows: (i) the number of outstanding stock option awards that are vested and unvested; (ii) the exercise price and expiration date of these options; (iii) the aggregate number and value as of December 31, 2013 of all unvested restricted stock; and (iv) the aggregate number and value as of December 31, 2013 of all performance shares or units granted under a performance plan whose performance period has not yet been completed. The values ascribed to these awards in the Table below may or may not be realized by their recipients, depending on share prices at the time of vesting or exercise and the achievement of the metrics upon which the performance share awards depend. Each amount on this Table is based on the closing market price of the Company's common stock on December 31, 2013, which was $54.25. For each Named Executive Officer, the fair value of stock awards and stock option awards at the date of grant, based upon the probable outcome of performance conditions, if applicable, as of the grant date is included in the Summary Compensation Table above. For additional information regarding the impact of a change in control on equity awards, see the section entitled "Stock Option, Restricted Share, and Performance Share Award Agreements."

Outstanding Equity Awards at Fiscal Year-End

	Option Awards				Stock Awards					
	Number of Securities Underlying Unexercised Options – Exercisable (#)	Number of Securities Underlying Unexercised Options – Unexercisable (#)	Option Exercise Price ($)(1)	Option Expiration Date (1)	Stock Award Grant Date	Number of Shares or Units of Stock Held That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock Held that Have Not Yet Vested ($)(2)	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Yet Vested (#)(3)	Vesting Dates (4)	Equity Ince Plan Award Market or P Value of Unearned Shares, Un or Other Rights Tha Have Not Y Vested ($)(3)
Michael J. Long	20,000	—	35.59	2/27/2016	—	—	—	—	—	—
	30,000	—	38.29	2/28/2017	—	—	—	—	—	—
	34,100	—	32.61	3/1/2018	—	—	—	—	—	—
	50,084	16,695	28.34	2/25/2020	2/25/2010	6,176	335,048	—	2/25/2014	—
	26,316	26,316	38.69	2/24/2021	2/24/2011	10,016	543,368	—	(a)	—
	15,606	46,818	40.15	2/19/2022	2/21/2012	17,747	962,775	—	(b)	—
	—	75,809	41.56	2/17/2023	2/19/2013	28,874	1,566,415	—	(c)	—
	—	—	—	—	2/19/2013	12,031	652,682	—	2/19/2016	—
	—	—	—	—	2/24/2011	—	—	40,062	2/24/2014	2,173,364
	—	—	—	—	2/21/2012	—	—	47,322	2/21/2015	2,567,219
	—	—	—	—	2/19/2013	—	—	57,747	2/19/2016	3,132,775
Paul J. Reilly	15,000	—	26.90	2/28/2015	—	—	—	—	—	—
	15,000	—	35.59	2/27/2016	—	—	—	—	—	—
	18,000	—	38.29	2/28/2017	—	—	—	—	—	—
	24,300	—	32.61	3/1/2018	—	—	—	—	—	—
	26,831	8,944	28.34	2/25/2020	2/25/2010	3,309	179,513	—	2/25/2014	—
	12,734	12,734	38.69	2/24/2021	2/24/2011	4,847	262,950	—	(a)	—
	6,571	19,713	40.15	2/19/2022	2/21/2012	7,473	405,410	—	(b)	—
	—	25,270	41.56	2/17/2023	2/19/2013	9,625	522,156	—	(c)	—

—	—	—	—	2/24/2011	—	—	19,384	2/24/2014 1,051,582
—	—	—	—	2/21/2012	—	—	19,925	2/21/2015 1,080,931
—	—	—	—	2/19/2013	—	—	19,249	2/19/2016 1,044,258

Outstanding Equity Awards at Fiscal Year-End (continued)

	Option Awards				Stock Awards					
	Number of Securities Underlying Unexercised Options – Exercisable (#)	Number of Securities Underlying Unexercised Options – Unexercisable (#)	Option Exercise Price ($)(1)	Option Expiration Date (1)	Stock Award Grant Date	Number of Shares or Units of Stock Held That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock Held that Have Not Yet Vested ($)(2)	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Yet Vested (#)(3)	Vesting Dates (4)	Equity Incentive Plan Awards: Market or Payo Value of Unearned Shares, Units or Other Rights That Have Not Yet Vested ($)(3)
Peter T. Kong	13,000	—	32.24	3/17/2016	—	—	—	—	—	—
	15,000	—	38.29	2/28/2017	—	—	—	—	—	—
	13,800	—	32.61	3/1/2018	—	—	—	—	—	—
	25,072	—	16.82	2/26/2019	—	—	—	—	—	—
	1,285	—	24.60	2/26/2019	—	—	—	—	—	—
	16,098	5,367	28.34	2/25/2020	—	—	—	—	—	—
	7,852	7,853	38.69	2/24/2021	—	—	—	—	—	—
	4,517	13,554	40.15	2/19/2022	—	—	—	—	—	—
	—	18,953	41.56	2/17/2023	2/19/2013	7,219	391,631	—	(c)	—
	—	—	—	—	2/24/2011	—	—	11,953	2/24/2014	648,450
	—	—	—	—	2/21/2012	—	—	13,698	2/21/2015	743,117
	—	—	—	—	2/19/2013	—	—	14,436	2/19/2016	783,153
Andrew S. Bryant	—	4,770	28.34	2/25/2020	2/25/2010	1,765	95,751	—	2/25/2014	—
	—	6,792	38.69	2/24/2021	2/24/2011	2,585	140,236	—	(a)	—
	—	11,705	40.15	2/19/2022	2/21/2012	4,437	240,707	—	(b)	—
	—	16,584	41.56	2/17/2023	2/19/2013	6,317	342,697	—	(c)	—
	—	—	—	—	2/24/2011	—	—	10,338	2/24/2014	560,837
	—	—	—	—	2/21/2012	—	—	11,830	2/21/2015	641,778
	—	—	—	—	2/19/2013	—	—	12,632	2/19/2016	685,286
Peter S. Brown	7,387	—	16.82	2/26/2019	—	—	—	—	—	—
	4,919	4,919	28.34	2/25/2020	—	—	—	—	—	—
	7,003	7,004	38.69	2/24/2021	—	—	—	—	—	—
	3,388	10,165	40.15	2/19/2022	—	—	—	—	—	—
	—	13,030	41.56	2/17/2023	2/19/2013	4,963	269,243	—	(c)	—
	—	—	—	—	2/24/2011	—	—	10,661	2/24/2014	578,359
	—	—	—	—	2/21/2012	—	—	10,273	2/21/2015	557,310
	—	—	—	—	2/19/2013	—	—	9,925	2/19/2016	538,431

(1) These columns reflect the exercise price and expiration date, respectively, for all of the stock options under each award. Each option was granted ten years prior to its expiration date. All of the awards were issued under the Long-Term Incentive Plan. All of the awards vest in four equal amounts on the first, second, third, and fourth anniversaries of the grant date and have an exercise price equal to the closing market price of the Company's

common stock on the grant date.

(2) These columns reflect the number of unvested restricted shares or units held by each Named Executive Officer under each award of restricted shares or units and the dollar value of those shares or units based on the closing market price of the Company's common stock on December 31, 2013.

(3) These columns show the number of shares or units of Arrow common stock each Named Executive Officer would receive under each grant of performance shares or units, assuming that the financial targets associated with each award are achieved at 100%, and the dollar value of those shares or units based on the closing market price of the Company's common stock on December 31, 2013.

(4) With regard to the Stock Awards, the following describes the vesting dates: (i) those awards designated by "(a)" vest in two equal amounts on the third and fourth anniversaries of the grant date; (ii) those awards designated by "(b)" vest in three equal amounts on the second, third, and fourth anniversaries of the grant date; and (iii) those awards designated by "(c)" vest in four equal installments commencing on February 19, 2014 and each of the three following anniversaries of such date.

Options Exercised and Stock Vested in Last Fiscal Year

The following Table provides information concerning the value realized by each Named Executive Officer upon the exercise of stock options and the vesting of restricted and performance shares/units.

The value realized on the exercise of stock options shown below is based on the difference between the exercise price per share paid by the executive and the closing market price of the common stock on the exercise date. The value realized on the vesting of restricted and performance shares/units is based on the number of shares vesting and the closing market price of the common stock on the vesting date.

Option Exercised and Stock Vested

Name	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Michael J. Long				
Restricted Shares/Units	—	—	26,433	1,056,100
2009 Perf. Shares — 1 Yr	—	—	17,427	682,964
2010 Perf. Shares — 3 Yr	—	—	66,690	2,636,256
Stock Options	89,967	2,035,503	—	—
Paul J. Reilly (2)				
Restricted Shares/Units	—	—	8,221	331,479
2010 Perf. Shares — 3 Yr	—	—	35,726	1,412,249
Stock Options	24,292	550,404	—	—
Peter T. Kong (2)				
Restricted Shares/Units (1)	—	—	6,850	279,138
2010 Perf. Shares — 3 Yr	—	—	21,435	847,326
Stock Options	10,000	149,100	—	—
Andrew S. Bryant				
Restricted Shares/Units	—	—	7,379	294,379
2009 Perf. Shares — 1 Yr	—	—	5,308	208,021
2010 Perf. Shares — 3 Yr	—	—	19,054	753,205
Stock Options	22,312	362,151	—	—
Peter S. Brown (2)				
Restricted Shares/Units (1)	—	—	5,137	209,333
2010 Perf. Shares — 3 Yr	—	—	19,649	776,725
Stock Options	—	—	—	—

(1) Includes 5,138 and 3,853 restricted units for Messrs. Kong and Brown, respectively, which are non-forfeitable due to Mr. Kong's retirement and Mr. Brown's eligibility for retirement and will be distributed to them under the applicable contractual vesting schedule.

(2) With respect to Messrs. Reilly, Kong, and Brown, there are no 2009 Performance Shares included above because they were identified as vesting in prior years as a result of their eligibility for retirement or early retirement, as the case may be.

SERP

Arrow maintains an unfunded Supplemental Executive Retirement Plan under which the Company will pay pension benefits to certain employees upon retirement. As of December 31, 2013, there were ten then-current executives participating in the SERP. The Board determines who is eligible to participate.

The gross SERP benefit is calculated by multiplying 2.5% of final average compensation (salary plus targeted incentive compensation) by the participant’s years of credited service (up to a maximum of 18 years). Final average compensation is the highest average of any three years during the participant’s final five years of service. The gross

benefit is reduced by 50% of the Social Security benefit, any ESOP contributions made prior to 2009, and the projected benefit of the Company's 401(k) matching contributions.

The benefits provided under the SERP are payable as a life annuity with 60 monthly payments guaranteed, commencing at age 60, assuming continued employment through normal retirement. At normal retirement (generally, age 60), Mr. Long, Mr. Reilly, and Mr. Bryant would receive estimated annual SERP payments of $960,439, $543,579 and $144,832 respectively. Mr. Brown is currently eligible for payments under the

amended SERP, should he retire, in an estimated annual amount of $200,000. Mr. Kong retired effective December 31, 2013 and is estimated to receive an annual benefit of $86,716. In addition, each Named Executive Officer is eligible for early retirement in the event that such Named Executive Officer reaches the age of 55 and the combined years of age and service equals at least 72. Messrs. Long and Reilly are eligible for early retirement and if they elect to retire early under the amended SERP, they would receive estimated annual payments of $635,256 and $381,734, respectively. Each of the retirement payment amounts described above were calculated as of December 31, 2013 and are subject to certain adjustments, including projected annual payments from the Company's ESOP, the Company's contribution to each Named Executive Officer's 401(k) account, and the assumed Social Security offset, each as applicable.

The years of credited service for each of the Named Executive Officers and the present value of their respective accumulated benefits as of December 31, 2013 are set out on the following Table. None of the Named Executive Officers received any payments under the SERP in or with respect to 2013. The present value calculation assumes each recipient remains employed until normal retirement age (age 60). The remainder of the assumptions underlying the calculation of the present value of the benefits are discussed in Note 13 to the Company’s Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2013.

Pension Benefits

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Michael J. Long	SERP	18.00	10,689,109	—
Paul J. Reilly	SERP	17.58	6,141,558	—
Peter T. Kong	SERP	4.17	1,143,280	—
Andrew S. Bryant	SERP	5.67	1,456,635	—
Peter S. Brown	SERP	9.42	2,728,804	—

The SERP provides that if a participant is terminated without cause within two years after a change in control of the Company (as defined below under the heading “Change in Control Retention Agreements”), the participant will receive an annual benefit under the SERP upon reaching age 60. The amount of the payment is based on the amount accrued up to the time of the termination. No payments will be made if the participant is not yet age 50 at the time of the termination.

Benefits under the SERP terminate, with no further obligation to the recipient, if the participant becomes involved in any way with an entity which competes with Arrow (except for limited ownership of stock in a publicly-traded company).

Should a participant become disabled before retiring, he or she continues to accrue years of service during such disability and may elect to receive the pension benefit accrued at any time up until the participant reaches age 65.

The present values of the SERP benefits accrued through year-end by the participating Named Executive Officers in the event of termination, death, disability, or a change in control of the Company are set forth on the Potential Payouts Upon Termination Table.

Deferred Compensation Plans

The Company maintains an Executive Deferred Compensation Plan in which deferred income as well as investment gains on the deferred amounts are nontaxable to the executive until distributed.

A participating executive may defer up to 80% of salary and 100% of bonuses, incentive compensation, and performance shares. The participant chooses from a selection of mutual funds and other investments in which the deferred amount is then deemed to be invested. Earnings on the amounts deferred are defined by the returns actually obtained by the “deemed investment” and added to the account. The “deemed investment” is used solely for this purpose and the participant has no ownership interest in it. The deferred

compensation and the amount earned are general assets of the Company, and the obligation to distribute the amounts according to the participants' designation is a general obligation of the Company.
None of the Named Executive Officers participated in the Executive Deferred Compensation Plan in 2013 and none currently have any balances in such Plan.

AGREEMENTS AND POTENTIAL PAYOUTS UPON TERMINATION OR CHANGE IN CONTROL

Termination of Employment and Change of Control Agreements

The Company historically entered into employment agreements and change in control agreements with senior management to establish key elements of employment. In light of recent market trends to eliminate individual employment agreements with senior management and, based on the recommendation of the Compensation Committee, in December 2012, the Company and Compensation Committee drafted a common policy for severance and a replacement change of control agreement (called the "Executive Change in Control Retention Agreement") for its executives. The new Severance Policy, corresponding Participant Agreements, and Executive Change in Control Retention Agreements were approved by the Compensation Committee and were effective as of April 1, 2013. They provide aggregate post-termination benefit levels substantially similar to those provided by the individual employment agreements and change in control agreements while ensuring consistent terms and conditions for all of the Named Executive Officers. In connection with the foregoing, the Company provided notices to all Named Executive Officers that the Company would not be renewing their employment and change in control agreements. Those notices stated that the employment agreements would terminate on January 1, 2014, and the change in control agreements would terminate on June 1, 2013. In consideration for the Named Executive Officers agreeing to terminate their agreements prior to the dates described above, pursuant to the Participation Agreements,the Company agreed not to modify or amend certain terms of the Severance Policy and will provide severance benefits upon termination for "good reason" at a benefit level similar to those previously provided under such Named Executive Officers' employment agreements. All of the Named Executive Officers signed early termination agreements and Participation Agreements.

Severance Policy

Under the Severance Policy, upon an involuntary termination of employment of any of the Named Executive Officers, without "cause," the Company would be required to pay such Named Executive Officer a pro-rata portion of his MICP with respect to the year of termination and his base salary and MICP for a period of 18 months (24 months for the Chief Executive Officer) (in each case, the "Severance Period"). Salary continuation payments would be made in accordance with the Company's customary payroll practices. MICP amounts, if any, would be paid on the date they are normally paid. Each Named Executive Officer also would receive continuation of health care benefit coverage at the same level of coverage through the Severance Period or equivalent benefits, as determined in the sole reasonable discretion of the Compensation Committee. The Company will also reimburse the Named Executive Officer for the cost of outplacement services up to a maximum of $50,000 ($75,000 for the Chief Executive Officer). The Severance Policy imposes an affirmative duty on each Named Executive Officer to seek substitute employment that is reasonably comparable to such Named Executive Officer's employment with the Company in order to mitigate the severance payments and benefits provided under the Severance Policy. With respect to Mr. Brown, upon his termination by the Company without cause, he is also deemed vested in his SERP benefit to the extent it accrued prior to termination, which shall be no less than $200,000 per year.
As a condition of receiving these benefits, the Severance Policy requires the Named Executive Officer to execute a general release and a restrictive covenants agreement in favor of the Company. Under the restrictive covenants agreement, the Named Executive Officer must agree to covenants providing for the confidentiality of the Company's information, non-competition and solicitation of employees and customers for a period equal to the relevant Severance Period.

In the case of termination without “cause,” equity-based awards will continue to vest through the duration of the Severance Period. Equity-based awards that do not vest prior to the end of the Severance Period will be forfeited. Vested stock options remain exercisable until the earlier of the expiration of the Severance Period and the expiration date as provided in the applicable award agreement. In the case of termination in the event of death or disability all of a Named Executive Officer's unvested equity-based awards will vest as of the date of death or disability. Vested stock options remain exercisable until the expiration date of such stock option, as provided in the applicable award agreement. Also, any shares to which a Named Executive Officer is entitled by reason of a vested performance stock unit shall be delivered within thirty days of the date of death or disability.

Participation Agreements

In connection with the Severance Policy, each Named Executive Officer that consented to the early termination of his or her employment agreement and change in control agreement was eligible to enter into a Participation Agreement with the Company. Under the Participation Agreement, the Company: (i) is prohibited from modifying or amending certain terms of the Severance Policy as they relate to that Named Executive Officer and (ii) will provide severance benefits upon termination for “good reason” at a benefit level equal to that provided under the Severance Policy upon an involuntary termination of employment without "cause" of such Named Executive Officer. All Named Executive Officers signed Participation Agreements.

Change in Control Retention Agreements

The purpose of the Change in Control Retention Agreement is to provide the Named Executive Officers with certain compensation and benefits in the event of an involuntary termination without “cause” or resignation for “good reason,” within 24 months following a “change in control.” If a Named Executive Officer receives benefits under his or her Change in Control Retention Agreement, he or she will not receive severance payments under the Severance Policy or his or her Participation Agreement.

Under the Change in Control Retention Agreements, the Named Executive Officers are eligible for compensation and benefits if, within two years following the change in control date, such Named Executive Officer's employment is terminated without cause by the Company or for good reason by the executive, each as defined in the Change in Control Retention Agreement. In such event, the terminated Named Executive Officer is entitled to receive a lump sum cash payment in the aggregate of the following amounts: (i) all unpaid base salary, earned vacation and earned but unpaid benefits and awards through the date of termination; (ii) three times (for the Chief Executive Officer) or two times (for all other Named Executive Officers) the sum of (a) the greater of such Named Executive Officer's annual base salary in effect immediately prior to the change in control date or the date of termination and (b) the greater of such Named Executive Officer's target MICP in effect immediately prior to the change in control date or the date of termination; (iii) a pro rata MICP payment for the calendar year of termination (determined on the basis of actual performance) and (iv) continuation of coverage under the Company's health care plan for a period not to exceed 24 months (36 months for the Chief Executive Officer).

The estimated payments that the Named Executive Officers would receive under their respective Change in Control Retention Agreements is set forth in the Potential Payouts Upon Termination Table. The severance payments to the Named Executive Officers pursuant to Change in Control Retention Agreements contain provisions that will limit the amount payable to a Named Executive Officer in certain circumstances. Specifically, they provide that if an amount payable to a Named Executive Officer will be treated as an “excess parachute payment,” and will therefore reduce the tax deductibility by the Company and will result in an excise tax being imposed on the Named Executive Officer, the severance payment will be reduced to a level sufficient to avoid these adverse consequences. If the severance payment amount payable to the Named Executive Officer, taking into account the effect of all of the applicable taxes, including the excise tax imposed, will be greater than the amount payable if the amount were reduced as described above, the Named Executive Officer will receive this greater amount, without consideration for the impact this payment may have on the Company's tax deductibility of such payment.

The Change in Control Retention Agreement does not affect the rights and benefits to which Named Executive Officers are entitled under any of the Company's equity compensation plans, which such rights and benefits are governed by the terms and conditions of the relevant plans and award agreements.

Impact of Internal Revenue Code Section 409A

Each of the Change in Control Retention Agreements between the Company and the Named Executive Officers has provisions that ensure compliance with Internal Revenue Code Section 409A, by deferring any payment due upon termination for six months and adding an interest component to the amount due (at the six-month Treasury rate).

Potential Payouts Upon Termination

The following Table sets forth the estimated payments and value of benefits that each of the Named Executive Officers would be entitled to receive under their Change in Control Retention Agreements and the Severance Policy, including the Participation Agreements, as applicable, in the event of the termination of his employment under various scenarios, assuming that the termination occurred on December 31, 2013. The amounts represent the entire value of the estimated liability, even if some or all of that value has been disclosed elsewhere in this Proxy Statement. Actual amounts that the Company may pay out and the assumptions used in arriving at such amounts can only be determined at the time of such executive’s termination or change in control and could differ materially from the amounts set forth below.

None of the Named Executive Officers receives any payment at, following, or in connection with being terminated for cause. Mr. Brown was eligible for retirement and Messrs. Long and Reilly were eligible for early retirement as of December 31, 2013. Mr. Kong retired with an effective date of December 31, 2013.

In both the Table below and the “Share-based Award Agreement Terms Related to Post-Employment Scenarios” Table which follows it:

- Death refers to the death of executive;
- Disability refers to the executive becoming permanently and totally disabled during the term of his employment;
- Termination Without Cause or Resignation for Good Reason means that the executive is asked to leave the Company for some reason other than “cause” as defined in the Severance Policy or the executive voluntarily leaves the Company for “good reason” as defined in the Participation Agreement which generally includes the Company failing to allow the executive to continue in his or her current or an improved position, or where the executive’s reporting relationship is changed so that he no longer reports to the Chief Executive Officer, and as further defined in each Participation Agreement;
- Change in Control Termination means the occurrence of both a change in control and the termination of the executive without cause or his resignation for cause within two years of the change; and
- Retirement means the executive’s voluntary departure at or after retirement age as defined in one of the Company’s retirement plans (typically age 60).

Potential Payouts Upon Termination

		Termination Scenario				
Name	Benefit	Death ($)	Disability ($)	Termination Without Cause or Resignation for Good Reason ($)	"Change in Control Termination" ($)	Retirement ($)
Michael J. Long	Severance Payment (1)	—	—	2,020,400	6,930,600	—
	Settlement of MICP Bonus Award	—	—	2,600,000	—	—
	Settlement of Performance Awards	7,873,357	7,873,357	4,740,582	7,873,357	—
	Settlement of Stock Options	2,464,194	2,464,194	1,763,148	2,464,194	—
	Settlement of Restricted Awards (2)	4,060,287	4,060,287	2,303,509	4,060,287	—
	Accrued Vacation Payout	77,708	77,708	77,708	77,708	77,708
	Management Insurance Benefit	9,240,800	—	—	—	—
	Welfare Benefits Continuation	—	5,976	24,236	36,354	—
	SERP	—	11,271,331	—	10,689,109	10,071,971
	Outplacement Services	—	—	75,000	—	—
	Total	23,716,346	25,752,853	13,604,583	32,131,609	10,149,679
Paul J. Reilly	Severance Payment (1)	—	—	1,027,800	2,720,400	—
	Settlement of MICP Bonus Award	—	—	1,012,500	—	—
	Settlement of Performance Awards	3,176,772	3,176,772	2,132,513	3,176,772	—
	Settlement of Stock Options	1,028,510	1,028,510	775,533	1,028,510	—
	Settlement of Restricted Awards (2)	1,370,030	1,370,030	973,842	1,370,030	—
	Accrued Vacation Payout	52,708	52,708	52,708	52,708	52,708
	Management Insurance Benefit	5,440,800	—	—	—	—
	Welfare Benefits Continuation	—	4,051	12,323	16,431	—
	SERP	—	6,614,963	—	6,141,558	5,890,765
	Outplacement Services	—	—	50,000	—	—
	Total	11,068,820	12,247,034	6,037,219	14,506,409	5,943,473
Peter T. Kong (3)	Severance Payment (1)	—	—	—	—	—
	Settlement of MICP Bonus Award	—	—	—	—	—
	Settlement of Performance Awards	—	—	—	—	2,174,720
	Settlement of Stock Options	—	—	—	—	692,877
	Settlement of Restricted Awards (2)	—	—	—	—	940,207
	Accrued Vacation Payout	—	—	—	—	42,323
	Management Insurance Benefit	—	—	—	—	—

	Welfare Benefits Continuation	—	—	—	—	—
	SERP	—	—	—	—	1,143,280
	Outplacement Services	—	—	—	—	—
	Total	—	—	—	—	4,993,407
Andrew S. Bryant	Severance Payment (1)	—	—	765,300	1,900,400	—
	Settlement of MICP Bonus Award	—	—	660,000	—	—
	Settlement of Performance Awards	1,887,900	1,887,900	1,202,614	1,887,900	—
	Settlement of Stock Options	604,766	604,766	444,522	604,766	—
	Settlement of Restricted Awards (2)	819,392	819,392	567,835	819,392	—
	Accrued Vacation Payout	39,246	39,246	39,246	39,246	—
	Management Insurance Benefit	3,800,800	—	—	—	—
	Welfare Benefits Continuation	—	5,740	17,458	23,277	—
	SERP	—	1,601,339	—	1,456,635	—
	Outplacement Services	—	—	50,000	—	—
	Total	7,152,104	4,958,383	3,746,975	6,731,616	—

Potential Payouts Upon Termination (continued)

		Termination Scenario				
Name	Benefit	Death ($)	Disability ($)	Termination Without Cause or Resignation for Good Reason ($)	"Change in Control Termination" ($)	Retirement ($)
Peter S. Brown	Severance Payment (1)	—	—	750,300	1,600,400	—
	Settlement of MICP Bonus Award	—	—	450,000	—	—
	Settlement of Performance Awards	1,674,101	1,674,101	1,135,670	1,674,101	1,674,101
	Settlement of Stock Options	545,111	545,111	414,663	545,111	545,111
	Settlement of Restricted Awards (2)	721,634	721,634	517,328	721,634	721,634
	Accrued Vacation Payout	38,477	38,477	38,477	38,477	38,477
	Management Insurance Benefit	3,200,800	—	—	—	—
	Welfare Benefits Continuation	—	6,672	20,293	27,057	—
	SERP	—	2,370,096	2,728,804	2,728,804	2,728,804
	Outplacement Services	—	—	50,000	—	—
	Total	6,180,123	5,356,091	6,105,535	7,335,584	5,708,127

(1) The Severance Payment amounts under the "Change in Control Termination" column reflect the anticipated payment that the Named Executive Officers would receive under their respective Change in Control Retention Agreements.

(2) The category "Settlement of Restricted Awards" includes restricted award grants made to the Named Executive Officers that were subject to performance criteria that required the Company achieve a net income, as adjusted, greater than zero or they would be canceled.

(3) Since Mr. Kong retired effective December 31, 2013, only the amounts payable upon his retirement are reflected in the table. The SERP retirement benefits are based on the estimated present value of retirement benefits.

Narrative Explanation of the Calculation of Amounts

Had the death, disability, retirement (except with respect to a single restricted stock grant in the amount of $500,008 provided to Mr. Long in 2013), or a change of control termination of any of the Named Executive Officers occurred, all restricted awards, options, and performance awards would have fully vested. The options would remain exercisable for the remainder of their original term.

Had a termination by the Company without cause or resignation of the executive for good reason occurred, performance, restricted, and option awards which would have vested in the then-remaining term of the executive's employment agreement would have vested immediately.

None of the Named Executive Officers would have received severance or MICP payment in the event of death, disability, or retirement. Had a termination by the Company without cause or resignation of the executive for good reason occurred, however, each executive would have received his or her base salary and MICP for a period of 24 months (Chief Executive Officer) and 18 months (for all other Named Executive Officers).

Under the terms of the Change in Control Retention Agreements which took effect during 2013, had a change in control termination occurred, each Named Executive Officer would have received a lump sum cash payment in the aggregate of the following amounts: (i) all unpaid base salary, earned vacation and earned but unpaid benefits and awards through the date of termination; (ii) three times (for the Chief Executive Officer) or two times (for all other Named Executive Officers) the sum of (a) the greater of such Named Executive Officer's annual base salary in effect immediately prior to the change in control date or the date of termination and (b) the greater of such Named Executive Officer's target MICP in effect immediately prior to the change in control date or the date of termination; (iii) a pro

rata MICP payment for the calendar year of termination (determined on the basis of actual performance) and (iv) continuation of coverage under the Company's health care plan for a period not to exceed 36 months (for the Chief Executive Officer) or 24 months (for all other Named Executive Officers).

Performance awards and restricted awards are valued at the closing market price on December 31, 2013, and stock options are valued based on the difference between the exercise price and the closing market price on December 31, 2013 of in-the-money options.

Stock Option, Restricted Share, and Performance Share Award Agreements

The various share and share-based awards made to the Named Executive Officers are evidenced by written agreements each of which contains provisions addressing alternative termination scenarios. The provisions applicable to those executives are summarized on the following Table for grants in 2013.

Share-based Award Agreement Terms Related to Post-Employment Scenarios

Termination Scenario

Award Type	Voluntary Resignation	Death or Disability	Termination Without Cause or Resignation for Good Reason	Involuntary Termination for Cause	Involuntary Termination without cause within Two Years of a Change in Control	Retirement at Normal Retirement Age
Stock Options	Unvested options are forfeited. Vested options remain exercisable for 90 days following termination.	All options vest immediately and remain exercisable until original expiration date (ten years from grant date).	Options with vesting dates falling within the severance period (as described in the Severance Policy) will vest, contingent upon satisfaction of performance criteria, if applicable, but subject to forfeiture in the event of non-compete violation. All vested options remain exercisable until the earlier of the expiration of the severance period or the applicable stock option award.	Vested and unvested options are forfeited.	All options vest immediately, entire award exercisable until original expiration date (ten years from grant date).	Unvested options continue to vest on schedule. Options remain exercisable for the lesser of 7 years from grant date or the remaining term of the option. All options are subject to forfeiture in the event of non-compete violation.
Restricted Awards	Unvested awards are forfeited.	Unvested awards vest immediately.	Awards with vesting dates falling within the severance period (as described in the Severance Policy) will vest, contingent upon satisfaction of performance criteria, if applicable, but subject to forfeiture in the event of non-compete violation.	Unvested awards are forfeited.	Unvested awards vest immediately.	Vesting continues on schedule, subject to forfeiture in the event of non-compete violation.
Performance Awards	Unvested awards are forfeited.	If performance cycle has ended, any remaining unvested awards vest immediately. If performance	Awards with vesting dates falling within the severance period (as described in the Severance Policy) will vest, contingent upon	Unvested awards are forfeited.	If performance cycle has ended, any remaining unvested awards vest immediately. If performance	Vesting continues on schedule (based on performance during performance cycle), subject to forfeiture in the event of

cycle has not ended, the target number of awards vest immediately.	satisfaction of performance criteria, if applicable, but subject to forfeiture in the event of non-compete violation.	cycle has not ended, the target number of awards vest immediately.	non-compete violation.

RELATED PERSONS TRANSACTIONS

The Company has a variety of policies and procedures for the identification and review of related party transactions. Arrow's Worldwide Code of Business Conduct and Ethics (the "Code") prohibits employees, officers, and directors from entering into transactions that present a conflict of interest absent a specific waiver. A conflict of interest arises when an employee's private interests either conflict or appear to conflict with Arrow's interest. The Code also requires that any such transaction, which may become known to any employee, officer, or director, be properly reported to the Company. Any conflict of interest disclosed under the Code requires a waiver from senior management. If the conflict of interest involves senior management, a waiver from the Board is required. Any such waiver is disclosed on the Company's website.

A "related person transaction," as defined under SEC rules, generally includes any transaction, arrangement, or relationship involving more than $120,000 in which the Company or any of its subsidiaries was, is, or will be a participant and in which a "related person" has a material direct or indirect interest. "Related persons" mean directors and executive officers and their immediate family members, director nominees and shareholders owning more than five percent of the Company's outstanding stock. Immediate family member means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, or any person (other than a tenant or employee) sharing a household with any such director, nominee, executive officer, or five percent shareholder.

As part of the process related to the financial close of each quarter, the Company distributes a disclosure checklist to management of each operating unit and financial function around the world, which seeks to ensure complete and accurate financial disclosure. One part of the checklist seeks to identify any related party transactions. Any previously undisclosed transaction is initially reviewed by: (i) the Company's disclosure committee to determine whether the transaction should be disclosed in the Company's SEC filings; and (ii) by senior management of the Company, including the General Counsel and the Chief Financial Officer, for consideration of the appropriateness of the transaction. If such transaction involves members of senior management, it is elevated to the Board for review. There were no such related party transactions in 2013.

In addition, the Company's corporate governance guidelines specify the standards for independence of directors. Any related party transaction involving a director requires the review and approval of the Board.

Transactions involving members of senior management or a director require the review and approval of the Board. Further, the Audit Committee reviews and approves all related party transactions required to be disclosed pursuant to SEC Regulation S-K. In the course of its review of related person transactions, the senior management of the Company or the independent directors of the Board will consider all of the relevant facts and circumstances that are available to them, including but not limited to: (i) the benefits to the Company; (ii) in a transaction involving a director, the impact on the director's independence; (iii) the availability of comparable products or services; (iv) the terms of the transaction; and (v) whether the transaction is proposed to be on terms more favorable to the Company than terms that could have been reached with an unrelated third party.

The Company's Corporate Law Department, together with the Corporate Controller's Department, is responsible for monitoring compliance with these policies and procedures.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires Arrow's directors, executive officers, and persons who own more than ten percent of a registered class of Arrow's equity securities to file reports of ownership and changes in ownership with the SEC. To facilitate compliance with Section 16(a) by our directors and executive officers, our employees generally prepare these reports on the basis of information obtained from each director and executive officer. To the Company's knowledge, based solely on a review of the reports Arrow filed on behalf of its directors and executive officers, written representations from these persons that no other reports were required, and all Section 16(a) reports provided to the Company, we believe that during the fiscal year ended December 31, 2013 all Section 16(a) filings were timely filed with

the exception of: (i) one late report on Form 4 for Mr. Long, with respect to one transaction, (ii) one late report on Form 4 for Ms. Morris, the Company's Chief Strategy Officer, with respect to two transactions, (iii) one late report on Form 4 for Mr. Bryant with respect to one transaction, which was inadvertently reported as a disposition rather than a grant, and (iv) two late reports on Form 4 for Mr. Reilly, which inadvertently misstated the number of shares held by Mr. Reilly in the company's stock ownership plan on August 12, 2013 and August 14, 2013. The inaccuracies in the reports on Form 4 were due to inadvertent clerical errors and were corrected promptly upon discovery.

AVAILABILITY OF MORE INFORMATION

Arrow’s corporate governance guidelines, the Corporate Governance Committee charter, the Audit Committee charter, the Compensation Committee charter, the Company’s Worldwide Code of Business Conduct and Ethics, and the Finance Code of Ethics can be found at the “Corporate Governance” link on the investor relations section of the Company’s website, www.arrow.com, and are available in print to any shareholder who requests them. The Company's transfer agent & registrar is Wells Fargo Bank N.A. (Wells Fargo Shareowner Services), 1110 Centre Pointe Curve, Suite 101, Mendota Heights, MN 55120.

Shareholders and other interested parties who wish to communicate with the Chairman of the Board or any of the non-management members of the Board may do so by submitting such communication to Arrow’s Secretary, Peter S. Brown, at Arrow Electronics, Inc., 7459 South Lima Street, Englewood, CO 80112, who will present any such communication to the directors.

MULTIPLE SHAREHOLDERS WITH THE SAME ADDRESS

The Company will deliver promptly upon request a separate copy of the Notice and/or the Proxy Statement and Annual Report to any shareholder at a shared address to which a single copy of these materials were delivered. To receive a separate copy of these materials, you may contact the Company’s Investor Relations Department either by mail at 7459 South Lima Street, Englewood, CO 80112, by telephone at 1-800-579-1639 or by e-mail at investor@arrow.com.

The Company has adopted a procedure called “householding,” which has been approved by the SEC. Under this procedure, the Company is delivering only one copy of the Notice and/or the Proxy Statement and Annual Report to multiple shareholders who share the same address and have the same last name, unless the Company received contrary instructions from an affected shareholder. This procedure reduces printing costs, mailing costs, and fees.

If you are a holder of the Company's common stock as of the record date and would like to revoke your householding consent and receive a separate copy of the Notice and/or the Proxy Statement and the Annual Report in the future, please contact Broadridge Financial Solutions, Inc. (“Broadridge”), either by calling toll free at (800) 542-1061 or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. You will be removed from the householding program within 30 days of receipt of the revocation of your consent.

Any shareholders of record sharing the same address and currently receiving multiple copies of the Notice, the Annual Report, and the Proxy Statement, who wish to receive only one copy of these materials per household in the future, may contact the Company's Investors Relations Department at the address, telephone number, or e-mail listed above to participate in the householding program.

A number of brokerage firms have instituted householding. If you hold your shares in “street name,” please contact your bank, broker, or other holder of record to request information about householding.

SUBMISSION OF SHAREHOLDER PROPOSALS

If a shareholder intends to present a proposal at Arrow’s Annual Meeting to be held in 2015 and seeks to have the proposal included in Arrow’s Proxy Statement relating to that Annual Meeting, pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended, the proposal must be received by Arrow no later than the close of business on December 11, 2014.

Arrow's by-laws govern the submission of nominations for director and other business proposals that a shareholder wishes to have considered at Arrow's Annual Meeting to be held in 2015 which are not included in the Company's Proxy Statement for that Annual Meeting. Under the by-laws, subject to certain exceptions, nominations for director or other business proposals to be addressed at the Company's next Annual Meeting may be made by a shareholder entitled to vote who has delivered a notice to the Secretary of Arrow no later than the close of business on March 23, 2015 and not earlier than February 21, 2015. The notice must contain the information required by the by-laws. These advance notice provisions are in addition to, and separate from, the requirements that a shareholder must meet in order to have a proposal included in the Proxy Statement under the rules of the SEC.

By Order of the Board of Directors,

Peter S. Brown
Secretary

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