

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

☒

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 28, 2002

OR

☐

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

FOR THE TRANSITION PERIOD FROM ____ TO ____

COMMISSION FILE NUMBER: 1-12203

INGRAM MICRO INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

62-1644402

(I.R.S. Employer Identification No.)

1600 E. ST. ANDREW PLACE, SANTA ANA, CALIFORNIA 92705

(Address, including zip code, of principal executive offices)

(714) 566-1000

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

CLASS A COMMON STOCK, PAR VALUE \$.01 PER SHARE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark if registrant is an accelerated filer (as defined in Exchange Act Rule 12b of the Act). Yes ☒ No ☐

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the Registrant's most recently completed second fiscal quarter, at June 28, 2002, was \$1,520,306,741 based on the closing sale price on such date of \$13.75 per share.

The Registrant had 150,987,935 shares of Class A Common Stock, par value \$.01 per share, outstanding at February 22, 2003.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Annual Report to Shareowners for the fiscal year ended December 28, 2002 are incorporated by reference into Parts I and II of this Annual Report on Form 10-K. Portions of the Proxy Statement for the registrant's Annual Meeting of Shareowners to be held May 7, 2003 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

ITEM 1. BUSINESS

In evaluating the business of Ingram Micro Inc. (“Ingram Micro” or “the Company”), readers should carefully consider the important factors discussed under Exhibit 99.01 hereto and under “—Safe Harbor for Forward-Looking Statements.”

Overview

Ingram Micro, a Fortune 100 company, is the leading distributor of Information Technology (“IT”) products and services worldwide. We sell computer hardware, networking equipment, and software products to nearly 170,000 reseller customers in more than 100 countries. We also provide supply chain optimization services and demand generation services for our suppliers and reseller customers. As a distributor, we market our products and services primarily to resellers and suppliers who in turn market and sell directly to end-user customers.

We offer our customers an aggregation of, and access to, a broad array of products and services by distributing and marketing hundreds of thousands of IT products worldwide from over 1,700 suppliers, including most of the computer industry’s leading hardware suppliers, networking equipment suppliers, and software publishers. Our broad product offering includes:

- desktop and notebook personal computers (“PCs”), servers, and workstations;
- personal digital assistants;
- wireless devices;
- mass storage devices;
- CD-ROM, CD-RW, and DVD drives;
- monitors;
- printers;
- scanners;
- modems;
- networking hubs, routers, and switches;
- network interface cards;
- components, such as microprocessors, and hard drives;
- business application software;
- entertainment software and video games;
- consumer electronics;
- computer supplies and accessories; and
- services such as:
 - configuration and assembly services,
 - communication services/mobile wireless,
 - broadband services,
 - packaged services, and
 - professional services (xSP).

In conjunction with our distribution business, we provide various services to our suppliers and customers, including call center support, pre- and post-technical support, credit and collection services, financial services, and marketing services.

We also provide supply chain management services such as:

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- end-to-end order management and fulfillment;
- contract warehousing;
- procurement of product packaging;
- product pack out and cartonization;
- reverse logistics;
- transportation management;
- customer care;
- credit and collection management services;
- retail merchandising;
- retail launch and replenishment;
- tailored financing programs;
- demand generation programs for suppliers and resellers;
- outsourced marketing services; and
- business intelligence and market research.

Although services represent one of the initiatives of our long-term strategy, they have contributed less than 10% of our revenues in the past and may not reach that level in the near term.

We are focused on providing a broad range of products and services, quick and efficient order fulfillment, and consistent on-time and accurate delivery to our customers around the world. We believe that IMpulse, our on-line information system, provides a competitive advantage through real-time worldwide information access and processing capabilities. IMpulse is a single, standardized, real-time information system and operating environment, used across substantially all of our worldwide operations. This on-line information system, coupled with our exacting operating procedures in telesales, credit support, customer service, purchasing, technical support, and warehouse operations, enables us to provide our customers with superior service in an efficient and low-cost manner. In addition to traditional, world-class distribution services, we offer demand generating marketing programs, customer communities, and new product launch programs.

Our earliest predecessor began business in 1979 as a California corporation named Micro D, Inc. This company and its parent, Ingram Micro Holdings Inc., or Holdings, grew through a series of acquisitions, mergers, and internal growth to encompass our current operations. On April 29, 1996, we were reincorporated in the state of Delaware. Holdings and the successor to Micro D, Inc. were merged into Ingram Micro Inc. in October 1996. We completed an initial public offering and were split-off, in a tax-free reorganization, from our former parent in November 1996.

The Industry

The worldwide IT products and services distribution industry generally consists of:

- manufacturers and software publishers, which we collectively call suppliers or vendors, and which sell directly to distributors, resellers, and end-users;
- distributors, which sell to resellers; and
- resellers, which sell directly to end-users and, in certain cases, to other resellers.

A variety of reseller categories exist, including value-added resellers (“VARs”), corporate resellers, systems integrators, original equipment manufacturers (“OEMs”), direct marketers, independent dealers,

reseller purchasing associations, PC assemblers, and computer retailers. Many of these resellers are heavily dependent on distribution partners with the necessary systems, capital, inventory availability, and distribution facilities in place to provide fulfillment and other services. Different types of resellers are defined and distinguished by the end-user market they serve, such as large corporate accounts, small- to medium-sized businesses (“SMBs”), or home users, and by the level of value they add to the basic products they sell. Distributors generally sell to resellers and purchase a wide range of products in bulk directly from suppliers. Characteristics of the local reseller and supplier environment, as well as other factors specific to a particular country or region, have shaped the evolution of distribution models in different countries.

According to a December 2002 IDC report, total worldwide IT spending on hardware, software, and services was estimated at approximately \$871 billion for calendar year 2002. Despite the continuing economic downturn that has impacted overall demand for IT products and services in 2001 and 2002, distribution continues to perform a significant role in delivering IT products to market in a low-cost manner. Although some suppliers are pursuing direct-sales strategies in certain product or customer categories, other suppliers are pursuing strategies to outsource functions such as logistics, order management, and technical support to supply chain partners as they look to minimize costs and investments in warehouse assets and focus on their core competencies in manufacturing, product development, and/or marketing. Another reason suppliers outsource these functions is to enhance their responsiveness in the supply chain, reduce their inventory carrying costs, and better respond to customer demand. Two-tier distributors are evolving from their traditional distribution roles by offering a combination of fee-based supply chain management services and product-oriented services to meet these demands.

A number of resellers also depend on distributors for many of their product, marketing, credit, and technical support needs. This is due to increased product complexity, the large number of available IT products, generally shorter product life cycles, and customers’ desire for resellers to integrate systems consisting of components from multiple suppliers. Resellers also continue to rely on distributors for inventory management services, including direct shipment to end-users and, in some cases, allowing their end-users to access a distributor’s inventory directly. These services allow resellers to reduce their inventory, staffing levels and warehouse requirements, thereby lowering their financial needs and reducing their costs.

The technology distribution industry continues to undergo significant change as a result of several factors. The slowing global IT market has caused suppliers to reexamine their business models as seen in the merger of Hewlett-Packard and Compaq Computer Corporation in May 2002. Manufacturer-direct sales initiatives, developed in an effort to duplicate the success of the direct-sales business model, have been adopted to varying degrees by some large suppliers. Although the manufacturer-direct model may remove distributors from their traditional role, we believe that this direct-sales model presents new partnership opportunities, such as providing logistics and fulfillment services and third-party products to suppliers and reseller customers. We also believe that suppliers continue to embrace the two-tier distribution channel as a strategic means to deliver products to market in a relatively low-cost manner.

Consolidation has also occurred among two-tier distributors due to more restrictive terms and conditions from suppliers, reductions in the number of supplier-authorized distributors, a high level of price competition among distributors, and evolving supplier business models. These conditions have driven several weaker competitors from the market or led distribution players to merge with each other. As a result of this consolidation, the U.S. IT market is largely served by three major IT distributors, a number of other smaller IT distributors, and several large

retailers. Markets outside the United States, which represent over half of the IT industry's sales, are characterized by a more fragmented distribution channel; however, consolidation has also taken place in these markets.

A number of emerging industry trends provide new opportunities and challenges for distributors of IT products and services. For example, the focus on driving efficiency in business models, and, in particular, in the supply chain, provides distributors with an additional opportunity to serve both suppliers and reseller customers by becoming providers of IT supply chain services. Furthermore, the growing presence and importance of fulfillment capabilities also provide distributors with new business opportunities as new categories of products, customers, and suppliers emerge. Data storage products, for example, enjoyed increasing demand with the growing use of the Internet, data warehousing, and e-mail, and the resulting need for faster dependable data access and richer content. Increasing demand for wireless products also presents strong growth opportunities for distributors that offer a combination of wireless products and services to customers.

Company Strengths

We believe that the following strengths will enable us to further enhance our leadership position in the IT distribution industry:

- **Leading Global Market Position.** We are the largest IT distributor in the world, by net sales, and believe that we are the market share leader, by net sales, in North America, Latin America, Asia-Pacific, and in a number of countries in Europe. Our fiscal 2002 net sales were \$22.5 billion, with net sales of \$12.1 billion in North America, \$7.2 billion in Europe, and \$3.2 billion in other regions of the world. We believe that the current IT industry environment favors large distributors that have access to financing, are able to achieve economies of scale, have breadth of geographic coverage, and have the strongest supplier relationships. Our scale allows us to purchase products in large quantities and avail ourselves of special purchase opportunities from a broad range of suppliers, which enables us to take advantage of various discounts from our suppliers and provide competitive pricing for our reseller customers.
- **Worldwide Market Presence.** Our global market presence provides suppliers with access to a broad base of geographically dispersed resellers. We service these resellers with our extensive network of distribution centers and support offices, almost all of which are integrated by IMPulse, our global information transaction system. As of December 28, 2002, we had 49 distribution centers worldwide, sold our products and services to resellers in more than 100 countries, and had sales offices and/or Ingram Micro sales representatives in 33 countries. We offer our suppliers access to a global customer base of close to 170,000 resellers of all sizes and types. Our broad geographic coverage places us closer to the end-user, enabling us to provide faster delivery times, better customer service, local presence, and market intelligence. In addition, our global reach allows us to better diversify our business across different markets, which reduces our exposure to individual market downturns. We continuously evaluate and modify our geographic footprint to focus on markets that we believe provide the best opportunity for profitable growth. In 2002, this included scaling back operations in certain locations in Latin America and Europe while continuing to develop markets in Asia-Pacific.
- **Broad Portfolio of Products.** Based on a review of our major competitors' publicly available data, we believe that we offer the largest number of products in the IT industry. We distribute and market hundreds of thousands of IT products worldwide from over 1,700 suppliers, enabling us to offer a wide variety of products, satisfy customer requirements for product availability, and meet end-

user demand for multi-supplier and multi-product IT configurations. Our reseller customers derive purchasing efficiencies and reduce their investment in inventory while simultaneously enhancing end-user service levels. They accomplish this by establishing a supply relationship with us that meets their product needs through a single point of contact, rather than making many purchases from multiple suppliers directly. We also believe that we provide suppliers with access to a broad customer base that few suppliers can reach directly in a more cost-effective manner. Moreover, suppliers that sell their products directly to end-users often use us as a secondary source to fulfill orders from customers that require multi-supplier product configurations. We continuously monitor customer demand and strive to focus our product inventory investment on products that provide opportunities for profitable growth.

- ***Speed of Execution and Consistency of Service.*** We are focused on providing quick and efficient order fulfillment and consistent on-time and accurate delivery to our customers around the world. We seek to maintain sufficient quantities of product inventories to achieve optimum order fill rates while optimizing our investment in working capital. Our advanced control systems and processes enable us to provide same-day shipping for any order in the United States, Canada, and certain locations in Europe received by 5:00 p.m., with highly accurate shipping performance. We consistently measure and monitor our performance based on metrics such as our price and consistency of service, responsiveness and product knowledge, accuracy and on-time delivery, timeliness and warehouse proximity, fulfillment and product availability, and credit availability.

Our commitment to superior service has been widely recognized throughout the IT industry. For example, we were ranked first in the 2002 VARBusiness listing of the top 25 U.S. distributors for the fifth consecutive year. We have also been recognized as the top U.S. distributor by several leading manufacturers including Symantec, Cisco Systems, and Citrix Systems, Inc. Ingram Micro Europe was named Distributor of the Year by Computer Associates International Inc. and Ingram Micro Asia-Pacific was recognized by Computer Associates with an Innovator of the Year award. Also, at IBM's PartnerWorld conference in February 2003, we earned six of the seven Distributor of the Year awards. For 2002, we captured the top market share position for IBM's Personal Computing Division and eServer xSeries Division in the Americas region. Additionally, our operations in the United States and Mexico have received ISO 9001 certification for customer service, returns, consolidation, operations, configuration, and distribution centers. Furthermore, we have received ISO 9002 certification in the following countries: Denmark, France, India, Italy, Mexico, Spain, Sweden, and the United Kingdom.

- ***Intelligent Business Systems.*** Our information systems allow us to act as a source for business information, as well as product and service solutions, for suppliers, resellers, and end-users. We believe that we are the only full-line distributor of IT products and services in the world with a single centralized global transaction system. We believe that IMPulse provides a competitive advantage through real-time, worldwide information access and processing capabilities. IMPulse is used across substantially all of our worldwide operations and is customized to suit local market requirements. Access to IMPulse gives resellers, and in some cases their customers, real-time access to our product inventory. By providing improved visibility to all participants in the supply chain, we allow inventory levels throughout the channel to more closely reflect end-user demand.

We believe that in order to remain competitive, it is necessary to continuously upgrade our information systems. In 2002, we made several investments in software technology that will enable us to provide greater integration between our web-based and legacy systems, access and exploit our enterprise data to a greater degree, and more readily exchange information with our business partners. In 2003, we expect to launch several new applications that will enhance our flexibility and profitability by streamlining operations

and offering new services to customers. In addition, as part of our profit enhancement program, we have outsourced certain components of our IT infrastructure to Affiliated Computer Services, Inc. ("ACS"). The transition of our outsourced functions is expected to be completed during the third quarter of 2003. After this transition, we believe these actions will reduce operating expenses while improving service levels and freeing management to focus on the deployment of new business applications. The contract with ACS covers certain IT infrastructure functions located in North America, such as mainframe, major server, desktop and enterprise storage operations; wide area and local area network support and engineering; systems management services; internal associate help desk services; and worldwide voice/PBX. We will retain IT strategy and architecture for worldwide application development, quality assurance, and customer and partner programs.

We have also developed other information systems for warehouse operations, back-office efficiency, data warehouse, and e-commerce initiatives that are integrated into IMPulse, providing a single information supply chain. We believe that our on-line information systems, coupled with our exacting operating procedures in telesales, credit support, customer service, purchasing, technical support, and warehouse operations, enable us to provide our customers with superior service in an efficient and low-cost manner.

- **Strong Working Capital Management.** We have consistently decreased working capital required to operate our business. In particular, we focus on managing our investment in our accounts receivable and inventory. We evaluate accounts receivable based on a days sales outstanding formula. Our days sales outstanding are calculated by dividing accounts receivable at the end of each quarter, which are adjusted to include amounts financed off-balance sheet under our accounts receivable financing programs, by our average daily net sales during the quarter. The inclusion of our off-balance sheet financing amounts related to our accounts receivable financing programs differs slightly from generally accepted accounting principles ("GAAP"); however, management believes this calculation better reflects the level of outstanding receivables with customers regardless of the form of financing we use for our operations. Inventory is measured by inventory turns, which are calculated by dividing our annualized costs of sales during the preceding quarter by our inventory at the end of that quarter.

At December 30, 2000, our GAAP days' sales outstanding were 27 days compared to 36 days at December 28, 2002. The primary reason for this change was the reduction in the level of our off-balance sheet debt associated with our accounts receivable financing programs. During this difficult economic period, we successfully managed our days' sales outstanding, including the amounts supporting our off-balance sheet debt, to a consistent range near 37 days and increased our inventory turns from 10 to 14. In an environment of lower demand for IT products, as is currently the case, our ability to reduce our working capital requirements has enabled us to reduce our invested capital and debt. We reduced our on-balance sheet debt by \$180 million and reduced our off-balance sheet financing associated with our accounts receivable financing programs by approximately \$835 million during the same period. As a result, we believe we are well positioned to meet our anticipated liquidity needs.

Business Strategy

We are pursuing a number of strategies to position our company as the IT distribution industry's "leader by every measurement", including the following:

- ***Reduce Costs and Enhance Profitability through Continuous Business Process Improvements.*** We constantly strive to reduce costs in our business and embrace a culture of business process improvement led by the adoption of the Six Sigma methodology, which uses data and statistical analysis to measure performance. We employ a disciplined approach when we review our global operations and develop initiatives designed to streamline business processes and further increase our operating efficiency. Most recently, in September 2002, we announced a comprehensive profit enhancement program that we expect will substantially increase our operating profit while delivering greater value and performance for customers and suppliers through improved processes and systems. This program is the result of an extensive review of our operations, primarily in North America but also in our international businesses, to identify opportunities to reduce costs and expand gross margin. Some of the program's key components include:
 - ***Enhanced vendor and customer programs.*** Employment of Six Sigma methodology will enable the success of many of the initiatives throughout the profit enhancement program, allowing us to simultaneously reduce costs while improving customer service levels. For example, in North America we have aligned our sales, marketing, and product management functions to deliver total technology solutions — both products and services — to customers and suppliers. By breaking down the barriers that separated these functions, we have been able to simplify contacts for customers and suppliers, streamline purchasing and pricing decisions, develop more customized fee-based services, and generate greater demand. Also, in Europe, successful completion of Six Sigma projects has reduced lost shipments and returns of damaged goods, improved order processing cycle time and matching of invoices, and simplified and standardized internal business processes within certain geographies. These business process improvements result in enhanced service levels for customers and suppliers with a more efficient use of resources.
 - ***Optimization of facilities and systems.*** As we continue to evolve our traditional distribution business model to also be a provider of integrated technology solutions, the requirements of our infrastructure are changing. The distribution network and information systems are being refined to accommodate this dynamic environment. In North America, we are transferring our configuration and returns services from dedicated facilities to multi-functional distribution centers, while sub-letting excess warehouse and office space. In Europe, we have closed our Frameworks assembly facility and have expanded the service areas of some distribution centers to include multiple countries. By maximizing economies of scale and leveraging our best-in-class logistics services, we expect to be better able to address the changing needs of customers and suppliers, providing a broad array of distribution and supply chain management strategies.
 - ***Outsourcing of IT infrastructure management services.*** Additionally, we have identified opportunities to significantly reduce the cost of our information technology systems by outsourcing our IT infrastructure to a third-party provider, ACS, which we believe will generate significant savings without sacrificing service to our customers and associates. We will retain IT strategy and application development and will transition to ACS certain infrastructure functions located in North America, such as mainframe computing, major

network and desktop operations, help desk services, PBX and systems management. We believe this action allows our IT infrastructure capacity costs and services to be more variable than in the past.

- **Geographic consolidations and administrative restructuring.** Through the combination of the U.S. and Canadian regions early in 2002, we have gained efficiencies by centralizing certain administrative processes that serve a single North American region, while maintaining local customer contact in each country. This was demonstrated in the formation of regional credit and product management departments to serve both the United States and Canada. The European region has also consolidated operations in the Nordic countries, as well as downsized operations in Portugal and Austria. In other regions, service for Argentina and Peru was transferred to the Latin American export office in Miami, our operations in Chile were downsized, and the Australian distribution and call center operations have been centralized in Sydney. Furthermore, we have applied this consolidation trend to our administrative services and products, such as travel, office supplies, temporary labor, and marketing promotions. For example, we are concentrating our business in North America with a select group of preferred suppliers for these administrative services and products to maximize our purchasing power, enhance the services we receive, and reduce costs. We expect to pursue other consolidation opportunities around the world as part of this ongoing effort.

These actions are just a sample of the dozens of initiatives that have been folded into our operations, evidencing our commitment to our profit enhancement program and to creating a best-in-class organization.

- **Pursue Growth Opportunities by Increasing Our Market Share in Strategic Geographies, Emerging Product and Service Markets, and Expanding and Profitable Product and Service Segments.** We intend to increase our market share through profitable growth opportunities in targeted markets and leverage our global leadership in world-class logistics, market reach, and electronic commerce in the following areas:
 - **Focus on growing geographic markets.** We intend to develop our business in growing geographic markets such as Asia-Pacific. The Asia-Pacific market is the fastest growing technology market in the world and industry experts predict IT spending in this region will grow at double-digit rates. Our Asia-Pacific region generated positive operating income in the fourth quarter of 2002 and we believe it is now poised for growth. We have built an efficient infrastructure to support our long-term strategy of leadership in this region and we are committed to achieve profitable growth.
 - **Focus on emerging products and service markets.** We aggressively target emerging IT product and service segments in their developmental stages and establish product expertise. This allows us to keep our broad product line current with emerging trends. For example, in response to rising channel demand for complete wireless solutions, we partnered with Sprint and T-Mobile in 2002 to enable solution providers to deliver complete wireless solutions to customers across the United States. We have also teamed with Sprint and Cisco Systems in the United States to offer a cost-effective and flexible third-party broadband solution that includes a router and high-speed Internet access for SMB customers. We are offering new solutions to our customers through high-end storage, computer telephony integration (“CTI”), networking products, and xSPs such as managed or remote accessed applications. Our

Converging Technologies Group manages and develops our CTI solution offerings, which have been made possible by the convergence of voice and data applications. Examples of converging products include PC-based phone systems, unified messaging applications, and a variety of video conferencing and voice-over-Internet protocol products.

- **Focus on expanding profitable product and service segments.** In 2002, we launched a European games division in Germany and expanded this initiative in France, and launched a separate initiative in Mexico. We believe we are the first broadline IT distributor in Europe to gain distribution rights from leading manufacturers in the video gaming industry. We are also making adjustments to our portfolio of products and services, targeting those areas that we believe offer the most profit potential. In North America, we have established a category management team that works closely with sales and product management to continually establish an ideal mix of products and services. By streamlining our catalog to include fewer but more desirable products, we can better control inventory, concentrate on higher-margin opportunities, and become more focused in demand-generation activities. Also, by cultivating new ideas and rejuvenating existing technologies, we believe we can develop our marketing revenues, identify and develop supplier relationships that will differentiate us from our competitors, and introduce new products and services to our customers.
- **Maintain High Focus on Small- and Medium-Sized Business Market.** We understand our SMB reseller customers' needs to increase profitability and deliver superior service to a highly fragmented SMB end-user market. We intend to continue our high focus on SMB resellers by delivering programs targeted towards their needs, which we believe will create additional revenue and profit opportunities for us by capitalizing on:
 - our compelling value proposition to resellers and suppliers;
 - the continued growth of the SMB customer segment, which is the largest segment of the IT market in terms of revenue;
 - generally higher gross margins for distributors in the SMB segment;
 - our distribution model, which we believe is better able to address the needs of the SMB customer than a vendor-direct sales model; and
 - strong growth in the government and education ("GovEd") market sector.

We continue to serve our SMB resellers through our *VentureTech Network*[™] ("VTN") and *SMB Alliance* programs. VTN is Ingram Micro's premier solution provider organization with more than 300 members across the United States. This program offers SMB resellers growth through partnering, training and education, financial services, marketing, and access to business resource partners. Our VTN reseller members provide turn-key solutions that are researched, configured, tested, installed and proactively supported to meet the demanding requirements of customers' businesses. *SMB Alliance* promotes partnerships for SMB solution providers and offers resellers an array of benefits ranging from attractive financing packages and enhanced technical support to expanded networking opportunities and dedicated sales support.

In June 2002, we enhanced our long-standing government and education program, *Partnership America*, and renamed the program *Ingram Micro GovEd Alliance*. *GovEd Alliance* is structured as a menu-driven offering, including value-added services of "Flexible

Financing Programs”, “Discounted Business Resources”, and “Go-To-Market Services”, which provide the opportunity for expense reduction, bidding competitiveness, and increased customer loyalty.

- ***Continue to Provide Outstanding Execution for Reseller Customers.*** Our commitment to superior service has been widely recognized throughout the IT distribution industry. We have received a number of awards from suppliers, customers, and other third-parties which reflect our goal to lead our industry by every measurement. Most recently, Fortune Magazine ranked us No. 1 in the wholesalers (electronics and office equipment) industry on its list of America’s Most Admired Companies for 2002. Fortune’s annual poll of 10,000 executives, directors, and securities analysts selected us as best-in-class based on our continued innovation, management leadership, employee talent, financial soundness, use of corporate assets, long-term investment value, social responsibility and quality of products and services.

We continually refine and integrate our systems and business processes to provide outstanding execution and service to resellers. We believe our e-commerce tools enable resellers to do business with their end-user customers quickly, easily, and at a lower cost. For example, we continually expand features and functions to increase usage and ordering from our 31 www.ingrammicro.com country websites. Furthermore, in the area of process improvement, we work continuously to advance our formal systems for evaluating and tracking key performance metrics of our operations such as responsiveness to customers, processing accuracy, and order fill rate. We use these metrics as well as customer satisfaction surveys to measure improvements on all key elements believed to be important to the customer.

- ***Deliver World-Class Outsourcing and Value-Added Programs to Suppliers and Resellers.*** As resellers and suppliers seek ways to generate demand, reduce costs, improve efficiencies, and outsource non-core business activities, we remain committed to providing low-cost distribution capabilities as well as world-class value-added business services. Our outsourcing services and value-added programs are intended to link resellers, end-users, and suppliers through us as a seamless one-stop provider of IT products and related services, while meeting and exceeding requirements of our suppliers and resellers to outsource their non-core business activities and thereby lower their operating costs. For example, we provide turn-key logistics solutions for major hardware and software suppliers, as well as complete inventory and fulfillment solutions for major e-commerce clients in the IT industry. Likewise, we provide cost-effective services such as sales/account management, credit, technical support, education, marketing, logistics management and other business solutions. We offer these services for a fee, independent from our IT distribution business. This model leverages our existing capital investment in infrastructure and enables us to support suppliers’ go-to-market strategies and provide supply chain management services in both direct and indirect channels. Although services represent one of the initiatives of our long-term strategy, they have contributed less than 10% of our revenues in the past and may not reach that level in the near term.

We also offer marketing, training, and other programs to our customers, particularly VARs, to assist them in introducing emerging technology solutions as well as specific virtual solutions to their customers. In addition, for complex technology solutions, we provide a specialty sales force and a highly trained technical support staff as a pre- and post- sales resource to our customers. We believe this strategy enables us to effectively facilitate the introduction of new technology solutions, developed by our supplier partners, to our reseller customers while simultaneously allowing us to establish a preferred position in servicing emerging suppliers.

Customers

We continue to be well positioned in providing world-class fulfillment and value-added services to VARs, corporate resellers, direct marketers, retailers, and Internet-based resellers. Our sales organization has resources dedicated to the recruitment, development, and sales support of these marketplaces. Our goal is to seamlessly manage the flow of goods and services from our supplier partners through the reseller to the end-user, providing specific solutions to a diverse customer base. We sell to nearly 170,000 reseller customers in more than 100 countries worldwide. No single customer accounted for more than 4% of our net sales in 2002, 2001, or 2000.

We conduct business with most of the leading resellers of IT products and services around the world including, in the United States, Amazon.com, Buy.com, CDW, Circuit City, Comark, Compucom, CompUSA, Insight, Micro Warehouse, OfficeMax, PC Connection, SARCOM, and Staples. Our reseller customers outside the United States include Bechtle, Brasoftware Informática, Econocom, Mainbit, Media Markt, Micro Warehouse, Open Systems Solutions and Systemax. In some cases, we have resale contracts with our reseller customers that are terminable at will after a short notice period and have no minimum purchase requirements. Our business is not substantially dependent on any of these contracts.

We also have specific agreements in place with certain manufacturers and resellers to provide supply chain management services such as order management, logistics management, configuration management, and procurement management services. These customers include ABM Systems, Amazon.com, CompUSA, Intuit, Iomega, SARCOM, and Targus Group in North America and Dixons Store Group, Hewlett-Packard, NCR and Wstore in Europe. These agreements generally have longer terms than our resale agreements, but, in most cases, can be terminated on relatively short notice by either party without cause. The service offerings we provide to our customers are discussed further below under — “Services.”

Sales and Marketing

We employ sales representatives worldwide who assist resellers with product specifications, system configuration, new product/service introductions, pricing, and availability. Our sales organization generally focuses on resellers in the following market sectors:

- value-added resellers, or VARs;
- corporate resellers;
- direct and consumer marketers; and
- government and education resellers.

Our product management and marketing groups also promote our sales growth, create demand for our suppliers’ products and services, enable the launch of new products, and facilitate customer contact. For example, our marketing programs are tailored to meet specific supplier and reseller customer needs. These needs are met through a wide offering of services by our in-house marketing organization, including advertising, direct mail campaigns, market research, on-line marketing, retail programs, sales promotions, training, and assistance with trade shows and other events.

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We have launched specialized business units in certain geographic and product markets to serve customers with particular needs. As we enter these specialized markets, we continue to leverage our global leadership in world-class logistics, market reach, and electronic commerce tools. For example, we expanded our business into the video gaming market in Canada, France, Germany, and Mexico. We believe we are the first broadline IT distributor in Europe to gain distribution rights from leading manufacturers in the video gaming industry. Another example of our targeted market focus is our formation of two strategic business units in Europe that focus on specific market and customer segments. Ingram Micro Europe Components division (“Components”) and Ingram Micro Networking Services™ division (“Networking Services”) have a pan-European scope and service reseller customers throughout Europe in all the countries where we have a presence. The Components business unit offers a one-stop shopping opportunity to small- and medium-sized resellers, PC assemblers, and OEMs and markets a wide range of components that these customers need to assemble PC systems. The Networking Services business unit specializes in high-end networking and communication products, in addition to services such as product consulting, project management, sales support and training, and technical and customer support. In 2002, we continued to invest in these business units, enhancing our IT infrastructure to enable every European operation to directly leverage the inventory and services available from the central European facilities in Germany and The Netherlands.

Selling Arrangements. We offer various credit terms to qualifying customers as well as prepay, credit card, and cash on delivery terms. We also offer “end-user” financing based upon the end-user’s credit worthiness and collect outstanding accounts receivable on behalf of the reseller in certain markets. We closely monitor reseller customers’ credit worthiness through our IMpulse information system, which contains detailed information on each customer’s payment history as well as other relevant information. In addition, we participate in a U.S. credit association whose members exchange customer credit rating information. In most markets, we use various levels of credit insurance to allow sales expansion and control credit risks. We establish reserves for estimated credit losses in the normal course of business. If our receivables experience a substantial deterioration in their collectibility or if we cannot obtain credit insurance at reasonable rates, our financial condition and results of operations may be adversely impacted. Under specific conditions, we permit our customers to return or exchange products. At the time of sale, we establish a reserve for estimated sales returns.

We have sold, and may continue to sell, but on a more limited basis, to certain customers where the transactions are financed by a third-party floor plan financing company. These transactions generally involve higher sales on limited lines of product. The expenses charged by these financing companies will either be subsidized by our suppliers, paid by us or billed to our reseller. We receive payment from these financing institutions within three to 30 days from the date of sale, depending on the specific arrangement.

Products and Suppliers

We distribute and market hundreds of thousands of IT products worldwide from the industry’s premier computer hardware suppliers, networking equipment suppliers, and software publishers worldwide. Product assortments vary by market, and the suppliers’ relative contribution to our sales also varies from country to country. On a worldwide basis, our revenues by product category have remained relatively stable even among fluctuating markets. Over the last several years, our product category revenues have generally been within the following ranges, although over recent periods, our percentages for software and systems have been in the higher and lower end of these ranges, respectively:

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- Peripherals: 40-45%
- Systems: 25-30%
- Software: 15-20%
- Networking: 10-15%

Our worldwide suppliers include leading computer hardware suppliers, networking equipment suppliers, and software publishers such as 3Com, Adobe, Acer, Apple Computer, APC, Cisco Systems, Computer Associates, Epson, Hewlett-Packard, IBM, Iomega, InFocus, Intel, Lexmark, Microsoft, NEC/Mitsubishi Electronics, Novell, Palm, Phillips, Maxtor, Seagate, Sony, Symantec, Tektronix, Toshiba, Veritas, Viewsonic, Western Digital and Xerox.

Our suppliers generally warrant the products we distribute and allow returns of defective products, including those returned to us by our customers. We do not independently warrant the products we distribute; however, we do warrant our services and the products that we build to order from components purchased from other sources. Provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience. Historically, warranty expense has not been material.

We have written distribution agreements with many of our suppliers; however, these agreements usually provide for nonexclusive distribution rights and often include territorial restrictions that limit the countries in which we can distribute the products. The agreements are also generally short term, subject to periodic renewal, and often contain provisions permitting termination by either party without cause upon relatively short notice. A supplier who elects to terminate a distribution agreement generally will repurchase its products carried in the distributor's inventory.

Our business, like that of other distributors, is subject to the risk that the value of our inventory will be affected adversely by suppliers' price reductions or by technological changes affecting the usefulness or desirability of the products comprising the inventory. It is the policy of many suppliers of IT products to offer distributors like us, who purchase directly from them, limited protection from the loss in value of inventory due to technological change or a supplier's price reductions. Under many of these agreements, the distributor is restricted to a designated period of time in which products may be returned for credit or exchanged for other products or during which price protection credits may be claimed. We take various actions, including monitoring our inventory levels and controlling the timing of purchases, to maximize our protection under supplier programs and reduce our inventory risk. However, no assurance can be given that current protective terms and conditions will continue or that they will adequately protect us against declines in inventory value, or that they will not be revised in such a manner as to adversely impact our ability to obtain price protection. In addition, suppliers may become insolvent and unable to fulfill their protection obligations to us. We are subject to the risk that our inventory values may decline and protective terms under supplier agreements may not adequately cover the decline in values.

Services

We offer end-to-end supply chain services to suppliers, Internet-based resellers, brick-and-mortar retailers selling on-line, and large resellers. Some of our supply chain management customers include ABM Systems, Amazon.com, CompUSA, Intuit, Iomega, SARCOM, and Targus Group in North America and Dixons Store Group, Hewlett-Packard, NCR and WStore in Europe. Through Ingram Micro Logistics we provide end-to-end order management and fulfillment, contract manufacturing, warehouse services, product procurement, product pack out and cartonization, reverse logistics, transportation management, customer care, tailored financing programs, marketing services, credit and collection management services, and other outsourcing services.

To complement our core competencies, increase customer satisfaction, and expand these outsourcing opportunities by providing “best-in-class” solutions, we have entered into various strategic alliances in areas such as e-commerce, telemarketing, transportation, and marketing services. By leveraging our core competencies to offer these services, we enable our clients to reduce their fixed investments while at the same time accessing our latest technology and world-class customer service metrics. Our agreements with these customers are generally for a number of years, although either party usually may terminate the agreement after a relatively short notice period.

We also offer regional and nationwide services in North America through our Ingram Micro Service Network (“IMSN”) which partners with over 450 reseller members. IMSN enables VARs to increase their end-user customer satisfaction and loyalty by providing a fully managed nationwide technical support solution with our industry-leading expertise. This service is provided by a community of over 10,000 certified technicians in over 450 locations throughout the U.S., Canada, and Puerto Rico. Our partners work together to provide world-class IT business solutions and support to customers including application services; consulting; hardware and software support; installation, moves, adds, and changes; migration services; Local-Area Network and Wide-Area Network services; network design, integration and implementation; and outsourcing services.

Additionally, we offer channel assembly (bringing together individual OEM components into a manufacturer-authorized computer) and reconfiguration services (opening brand named finished product and upgrading it with features such as memory, components, accessories, and third-party software) within several regions in which we operate.

Although services represent one of the initiatives of our long-term strategy, they have contributed less than 10% of our revenues in the past and may not reach that level in the near term.

Information Systems and Related Tools

As part of our ongoing profit enhancement program, we announced plans in 2002 to appoint a third-party service provider, ACS, to manage our IT infrastructure functions. This initiative is intended to lower our ongoing IT operating expenses and reduce IT-related investments. We included the anticipated savings generated by this action in the expected operating income improvements described in our September 18, 2002 press release announcing our profit enhancement program. This initiative also allows us to take advantage of ACS’ economies of scale to achieve a lower cost structure for our business while allowing the flexibility to access the expertise needed to manage a variety of technology platforms. Additionally, this will enable our internal IT staff to focus on strategic business and technology initiatives and the IT connectivity requirements of our customers and supply partners. The contract with ACS covers mainframe, major server, desktop and enterprise storage operations; wide area and local area network support and engineering; systems management services; internal associate help desk services; and voice/PBX for our North America operations. We will retain responsibility for IT strategy and architecture, worldwide application development, quality assurance, and customer and partner programs internally.

Our systems utilize a variety of platforms designed to provide the high level of scalability and performance required to manage our large and complex business operations. IMPulse is a single, proprietary, standardized, real-time information system and operating environment, used across substantially all of our worldwide operations. It has been customized as necessary for use in substantially all countries in which we operate and can handle multiple languages and currencies. We have designed IMPulse as a scalable system that can support increased

transaction volume. IMPulse supports over 39,000 mainframe connections (terminals, printers, PCs, and radio frequency hand-held terminals) worldwide with an internal response time of less than one second.

Worldwide, our centralized processing system supports more than 40 operational functions including customer management, inventory management, order management, warehouse management, and accounting. At the core of the IMPulse system is on-line, real-time distribution software to which considerable enhancements and modifications have been made to support our low-cost business model and its growth. We make extensive use of advanced telecommunications technologies with customer service enhancing features, such as Automatic Call Distribution to route customer calls to telesales representatives. The Telesales Department uses its Sales Wizard system for on-line, real-time tracking of all customer calls, for proactive outbound calling, and for status reports on sales statistics such as number of customer calls, customer call intentions, and total sales generated. IMPulse allows our telesales representatives to deliver real-time information on product pricing, inventory availability, and order status to reseller customers. The pricing functionality within IMPulse enables telesales representatives to make informed pricing decisions through access to specific product, order, and fulfillment related information for each sales opportunity. We have also invested in developing segmentation accounting tools, which enable various levels of sales and product management to analyze and report sales activity with increased visibility into our customer, supplier, and product mix to establish pricing guidelines.

In the United States, we use CTI technology, which provides the telesales representatives with Automatic Number Identification capability and advanced telecommunications features such as on-screen call waiting, call routing, and automatic call return, thereby reducing the time required to process customer orders.

In order for us to act as the agent of commerce among suppliers, resellers, and end-users, we continued to improve our website, www.ingrammicro.com, during 2002. Major enhancements included improving our search capability, adding on-line returns processing, and offering automated on-line volume software license ordering. The website communicates with IMPulse through a real-time connection that provides seamless interaction between the two environments. All of our web applications and many internal applications are built using Java to enhance their flexibility and reusability.

We are enhancing and deploying other seamless electronic commerce tools that allow resellers to do business with us at lower cost and with greater ease. This includes our VentureTech Network website, www.venturetechnetwork.com, which enables communication between solutions integrators and SMB customers. Additionally, our GovEd Alliance program includes a website, www.ingrammicro.com/goved, which provides independent resellers with information about tools and resources to help them compete in the public sector market. These include finance options; GSA pass through program; newsletters; news, events, and discounts on third party-services; manufacturer product information; as well as other business development tools.

To complement our telesales, customer service, and technical support capabilities, IMPulse offers a number of different electronic products and services through which customers can conduct business with us. These products and services include the Customer Automated Purchasing System, Electronic Data Interchange ("EDI"), several customized Extensible Markup Language ("XML") based solutions, select RosettaNet Pips (Partner Interface Processes), InsideLine, the Bulletin Board Service, Internet-based Electronic Catalog, and TechNotes. The Electronic Catalog provides reseller customers with access to product pricing and availability, with the capability to search by product category, name, or manufacturer. TechNotes is a comprehensive multi-manufacturer database that customers can deploy on their own websites that contains timely and accurate product, sales, and technical information. TechNotes information is updated regularly by our supplier partners. In Europe, Asia-

Pacific, and Canada, we also subscribe to CNet's data sheets program, and in Latin America we create our own tech notes without the assistance of suppliers.

In 2002, we completed the deployment of our next-generation operations and logistics system, IM-First, throughout our U.S. distribution network. This system allows our distribution centers to process orders 24 hours a day, seven days a week. IM-First leverages state-of-the-art distributed processing technology, including a wireless and paperless distribution management system. IM-First was further enhanced in 2002 to provide greater customization capabilities for our shipping documents. Customers can now tailor packing slips and other shipping documents to meet their own specifications.

In addition, our warehouse operations use extensive bar-coding and radio frequency technology for receiving and shipping, and real-time links to carriers such as United Parcel Service and Federal Express for freight processing and shipment tracking. The customer service department uses the POWER System for on-line documentation and faster processing of customer product returns. To ensure that adequate inventory levels are maintained, our buyers depend on the Orion system to track inventory on a continual basis. These systems and many other features in IMpulse help to expedite the order processing cycle and reduce our operating costs as well as the costs for our reseller customers and suppliers.

We employ various security measures and backup systems designed to protect against unauthorized access or use, or the failure of our information systems. Access to our information systems is controlled through the use of firewalls, passwords, virtual private networks ("VPNs"), and digital signatures. We have taken additional security measures with respect to sensitive information. Through ACS, we have disaster recovery services available from IBM Business Continuity & Recovery Services. Additionally, we have backup power sources at a number of major sites for emergency power. We have not experienced any material failures or downtime of IMpulse or any of our other information systems, but any systems failure or material downtime could prevent us from taking customer orders, printing product pick-lists and/or shipping product, and could also prevent our customers from accessing price and product availability information.

Global Operations

We have local sales offices and/or Ingram Micro sales representatives in various worldwide markets including in North America (the United States and Canada), Europe (Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom), Latin America (Argentina, Brazil, Chile, Mexico, Peru, and Puerto Rico), and Asia-Pacific (Australia, Bangladesh, the People's Republic of China [including Hong Kong], India, Malaysia, New Zealand, Pakistan, Singapore, Sri Lanka, and Thailand). We also have contracted sales agents, parties who act on our behalf or primary supplier relationships with independent third parties in Costa Rica, Dominican Republic, Ecuador, Guatemala, Indonesia, Panama, Trinidad/Tobago, and Vietnam. Additionally, we serve markets where we do not have an in-country presence through our various sales offices, including our general telesales operations in Santa Ana, California and Buffalo, New York and our export offices in Miami, Florida, Singapore, and certain countries in Europe.

Our financial transactions from operations outside the United States are primarily denominated in currencies other than the U.S. dollar. Accordingly, our operations outside the United States impose risks upon our business as a result of exchange rate fluctuations. We mitigate most of this risk primarily through matching the currencies of our non-U.S. net sales, costs, and borrowings in foreign currencies, and utilizing derivative financial instruments such as forward exchange contracts.

Competition

We operate in a highly competitive environment, both in the United States and internationally. The IT products and services distribution industry is characterized by intense competition, based primarily on:

- price;
- product and services availability;
- speed and accuracy of delivery;
- effectiveness of sales and marketing programs;
- credit terms and availability;
- ability to tailor specific solutions to customer needs;
- quality and breadth of product lines and services; and
- availability of technical and product information.

We believe we compete favorably with respect to each of these factors.

We compete in the U.S. against full-line distributors such as Tech Data and Synnex Information Technologies, as well as specialty distributors such as Daisytek in consumables, Avnet and Arrow in industrial and enterprise products, and Douglas Stewart in educational products. The U.S. competitive landscape continues to undergo major consolidation as seen in the merger of Hewlett-Packard and Compaq Computer Corporation and the acquisition of Gates/Arrow by Synnex in 2002. Markets outside the United States, which represent over half of the IT industry's sales, are characterized by a more fragmented distribution channel; however, consolidation has taken place in these markets as well. In Europe, four of our local market competitors, namely Esprinet (Italy), Copaco (The Netherlands), Also (Switzerland, Germany and Austria) and WestCoast (UK) have created a marketing alliance called the "European Wholesale Group" to better address the international needs of suppliers and resellers. Suppliers and resellers pursuing global strategies continue to seek distributors with global sales and support capabilities.

We compete internationally with a variety of national and regional distributors. In the European market, competitors include international distributors such as Tech Data, Actebis, and Westcon/Comstor. The European distribution landscape is highly fragmented, with market share spread among many regional and local competitors. Examples include Scribona in the Nordic Region; Esprinet in Italy; OpenGate in Italy, Spain, and Portugal; Maxdata in Germany, Austria, and Switzerland; and Northamber in the United Kingdom. Other international distributors such as Arrow, Avnet and Bell Micro are strong competitors in many European countries. Hybrid reseller/distributors such as Computacentre and Specialist Computer Holdings provide additional pan-European competition. In Canada, we compete with Tech Data, Synnex, Supercom, and EMJ as well as a number of smaller distributors. In Latin America, we compete with international distributors such as Tech Data, and several regional and local distributors including Bell Micro, Deltron, Intcomex, Mexmal, MPS, Officer, and Synnex. In the Asia-Pacific market, we face competition from global, regional, and local competitors including Arrow, Digiland, ECS, Synnex and Tech Pacific. We also face competition in local markets such as Digital China and PCI in the People's Republic of China, Redington in India, and Express Data in Australia.

As some manufacturer and reseller customers move their back-room operations to distribution partners, outsourcing and value-added services may be areas of opportunity. Examples of value-added capabilities include configuration, innovative financing programs, and order fulfillment programs. Many of our suppliers and reseller customers are looking to outsourcing partners to perform back-room operations. To better meet these expanding opportunities, we offer fee-based end-to-end logistics

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services through Ingram Micro Logistics to suppliers and retailers selling on-line. There has been an accelerated movement among transportation and logistics companies to provide many of these fulfillment and e-commerce supply chain services. Within this arena, we face competition from major transportation and logistics suppliers such as Exel, Menlo, and UPS Supply Chain Services; electronic manufacturing services providers such as Solectron and Flextronics; and media companies such as Technicolor.

We are constantly seeking to expand our business into areas closely related to our core IT products and services distribution business. As we enter new business areas, including value-added services, we may encounter increased competition from current competitors and/or from new competitors, some of which may be our current customers. Application service providers constitute a relatively new channel for suppliers to remotely deliver software applications to end-users. Telephone companies also represent competition for us when they offer bundled broadband and equipment solutions directly to end-customers.

The evolving direct-sales relationships between manufacturers, resellers, and end-users continue to introduce change into our competitive landscape. We compete, in some cases, with hardware suppliers and software publishers that sell directly to reseller customers and end-users. However, we may become a business partner to these companies by providing supply chain services optimized for the IT market.

Asset Management

We seek to maintain sufficient quantities of product inventories to achieve optimum order fill rates. We believe that the risks associated with slow-moving and obsolete inventory are partially mitigated by price protection and stock return privileges provided by suppliers. In the event of a supplier price reduction, we generally receive a credit based upon the terms and conditions with that supplier. In addition, we have the right to return a certain percentage of purchases, subject to certain limitations. We are exposed to inventory risk to the extent that supplier protections are not available on all products or quantities and are subject to time restrictions. In addition, suppliers may become insolvent and unable to fulfill their protection obligations to us. We manage this risk through continual monitoring of existing inventory levels relative to customer demand. To the extent necessary, we have established and continue to accrue for excess and obsolete inventory reserves.

Historically, price protection, stock return privileges, and inventory management procedures have helped reduce the risk of decline in the value of inventory. However, major PC suppliers have stated that it is their intention to control the amount of inventory in the channel, particularly in light of the growth of vendor-direct and build-to-order strategies. A number of our suppliers have changed the terms and conditions of their price protection plans. These changes have resulted in increased exposure for us as the distribution partner. The shorter time periods during which distributors may receive credit for decreases in manufacturer prices on unsold inventory, as well as changes in the methodology to determine what level of unsold inventory distributors will be compensated for as a result of a price decrease, have decreased the levels of price protection we receive from suppliers. These changes in terms and conditions have made it more difficult for us to match our inventory levels with the price protection periods. Consequently, we bear risk that the value of the inventory we hold will decline after these price protection periods have passed. We continue to mitigate these risks by managing the amount of inventory in the channel from our suppliers to reflect the overall demand for our products.

Inventory levels may vary from period to period, due in part to the addition of new suppliers or new lines with current suppliers and large cash purchases of inventory due to advantageous terms offered by suppliers. In addition, payment terms with inventory suppliers may vary from time to time, and could result in less inventory being financed by suppliers and a greater amount of inventory being financed by our capital.

Trademarks and Service Marks

We own or are the licensee of various trademarks and service marks, including, among others, “Ingram Micro,” the Ingram Micro logo, and “VentureTech Network.” Certain of these marks are registered, or are in the process of being registered, in the United States and various other countries. Even though our marks may not be registered in every country where we conduct business, in many cases we have acquired rights in those marks because of our continued use of them. Our management believes that the value of our marks is increasing with the development of our business, but our business as a whole is not materially dependent on these marks.

Employees

As of December 28, 2002, we employed approximately 12,700 associates (as measured on a full-time equivalent basis). Our success depends on the talent and dedication of our associates. We strive to attract, develop, and retain outstanding associates. Certain of our operations in Europe and Latin America are subject to syndicates, collective bargaining or similar arrangements. We have a process for continuously measuring the status of associate satisfaction and responding to associate priorities. We believe that our relationships with our associates are generally good.

EXECUTIVE OFFICERS OF THE COMPANY

The following table lists the executive officers of Ingram Micro as of March 1, 2003.

Name	Age	Position
Kent B. Foster	59	Chairman of the Board and Chief Executive Officer
Michael J. Grainger	50	President and Chief Operating Officer
Guy P. Abramo	41	Executive Vice President and Chief Strategy and Information Officer
Henri T. Koppen	60	Executive Vice President and President, Ingram Micro Asia-Pacific
Thomas A. Madden	49	Executive Vice President and Chief Financial Officer
Alain Monie	52	Executive Vice President
Kevin M. Murai	39	Executive Vice President and President, Ingram Micro North America
Gregory M.E. Spierkel	46	Executive Vice President and President, Ingram Micro Europe
James E. Anderson, Jr.	55	Senior Vice President, Secretary and General Counsel
Asger Falstrup	53	Senior Vice President and President, Ingram Micro Latin America
Matthew A. Sauer	55	Senior Vice President, Human Resources
James F. Ricketts	56	Corporate Vice President and Treasurer

Kent B. Foster. Mr. Foster, age 59, was elected chairman of the board in May 2000 and is also our chief executive officer. Mr. Foster joined us as chief executive officer and president and a director in March 2000 after a 29-year career at GTE Corporation, a leading

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telecommunications company with one of the industry's broadest arrays of products and services. From 1995 through 1999, Mr. Foster served as president, GTE Corporation and was a member of GTE's board of directors from 1992 to 1999, serving as vice chairman of the board of GTE from 1993 to 1999. In addition, he currently serves on the board of directors of Campbell Soup Company, Inc., J.C. Penney Company, Inc., and New York Life Insurance Company.

Michael J. Grainger. Mr. Grainger, age 50, has been our president and chief operating officer since January 2001 and served as our chief financial officer from May 1996 through July 2001. He also served as executive vice president from October 1996 to January 2001. He was vice president and controller of Ingram Industries Inc., our former parent corporation, from July 1990 to October 1996.

Guy P. Abramo. Mr. Abramo, age 41, is our executive vice president and chief strategy and information officer. He has held these positions since September 2000. He previously served as senior vice president and chief information officer from November 1999 to September 2000, and senior vice president of marketing from September 1998 to November 1999. Prior to working for Ingram Micro, Mr. Abramo was a partner at Yankelovich Partners, a marketing professional services company, from May 1998 to October 1998 and managing director of marketing intelligence at KPMG Peat Marwick LLP, an accounting and professional services company, from February 1995 to May 1998.

Henri T. Koppen. Mr. Koppen, age 60, has been executive vice president and president of Ingram Micro Asia-Pacific since February 2002, and served as senior vice president and president of Ingram Micro Asia-Pacific, from March 2000 through January 2002. He previously served as senior vice president and president of Ingram Micro Latin America from January 1998 to March 2000. Prior to working for Ingram Micro, Mr. Koppen served as president, Latin America, for General Electric Capital IT Solutions, a systems integrator/reseller company, from July 1996 to December 1997 and vice president, Latin America, for Ameridata Global Inc., a systems integrator/reseller company, from May 1995 to July 1996.

Thomas A. Madden. Mr. Madden, age 49, became our executive vice president and chief financial officer in July 2001. Mr. Madden joined us from Arvin Meritor, Inc., a global supplier of systems, modules and components for the automotive industry, where he served as senior vice president and chief financial officer from May 1997 to July 2001. From 1981 to 1997, Mr. Madden held various management positions with Rockwell International, including vice president of corporate development, from 1996 to 1997, vice president of finance, from 1994 to 1996, and assistant corporate controller, from 1987 to 1994.

Alain Monie. Mr. Monie, age 52, became our executive vice president in January 2003. Previously, Mr. Monie was an international executive consultant with aerospace and defense corporations from September 2002 to January 2003. Mr. Monie also served as president of the Latin American division of Honeywell International from January 2000 to August 2002. He joined Honeywell following its merger with Allied Signal Inc., where he built a 17-year career on three continents, progressing from a regional sales manager to head of Asia-Pacific operations from October 1997 to December 1999.

Kevin M. Murai. Mr. Murai, age 39, became our executive vice president and president of Ingram Micro North America in January 2002. He previously served as executive vice president and president of Ingram Micro U.S. from January 2000 to December 2001, as senior vice president and president of Ingram Micro Canada from December 1997 to January 2000, and vice president of operations for Ingram Micro Canada from January 1993 to December 1997.

Gregory M.E. Spierkel. Mr. Spierkel, age 46, is executive vice president and president of Ingram Micro Europe. He has held these positions since June 1999. He previously served as senior vice president and president of Ingram Micro Asia-Pacific from July 1997 to June 1999. Prior to working for Ingram Micro, Mr. Spierkel was vice president of global sales and marketing at Mitel Inc., a manufacturer of telecommunications and semiconductor products, from March 1996 to June 1997 and was president of North America at Mitel from April 1992 to March 1996.

James E. Anderson, Jr. Mr. Anderson, age 55, is our senior vice president, secretary and general counsel. He has held these positions since January 1996. He previously served as vice president, secretary and general counsel of Ingram Industries Inc., our former parent corporation, from September 1991 to November 1996.

Asger Falstrup. Mr. Falstrup, age 53, has been our senior vice president and president, Ingram Micro Latin America since November 2001. He previously served as senior vice president and president, Ingram Micro Canada from January 2000 to December 2001, as vice president, Ingram Micro Northern Europe, from November 1996 to January 2000 and managing director, Denmark, from August 1994 to November 1996.

Matthew A. Sauer. Mr. Sauer, age 55, has been our senior vice president of human resources since February 2003. He joined Ingram Micro in October 1996 as vice president of human resources and was promoted in September 1999 to corporate vice president of human resources strategies and processes.

James F. Ricketts. Mr. Ricketts, age 56, is our corporate vice president and treasurer. He has held this position since April 1999. He previously served as vice president and treasurer from September 1996 to April 1999. Prior to his employment with Ingram Micro, Mr. Ricketts served as treasurer of Sundstrand Corporation, a manufacturer of aerospace and related technology products, from February 1992 to September 1996.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the “Act”) provides a “safe harbor” for “forward-looking statements” to encourage companies to provide prospective information, so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. Except for historical information, certain statements contained in this Annual Report on Form 10-K may be “forward-looking statements” within the meaning of the Act, including but not limited to, management’s expectations for operating income improvements from our profit enhancement programs; competition; revenues, expenses and other operating results or ratios; economic conditions; liquidity; capital requirements; and exchange rate fluctuations. In evaluating our business, readers should carefully consider the important factors discussed in “Cautionary Statements for the Purpose of the ‘Safe Harbor’ Provisions of the Private Securities Litigation Reform Act of 1995” included in Exhibit 99.01 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2002. We disclaim any duty to update any forward-looking statements. A summary of these factors is as follows:

- (1) Failure to achieve the objectives of our profit enhancement program as announced in September 2002 or other process or organizational changes, in whole or in part, or delays in implementing components of the program, could have a material adverse effect on our business, financial condition, and results of operations. Additionally, failure to successfully transition certain components of our IT infrastructure to our third-party provider could result in significant disruption to our business or additional cost

and may not generate the intended level of cost savings.

- (2) Intense competition, including competition from alternative business models, such as direct manufacturer-to-end-user selling, may lead to reduced prices, lower sales or reduced sales growth, and/or lower gross margins. This competition may also lead to extended payment terms with customers, which could increase our required capital investment, interest costs, and risk of bad debts.
- (3) Significant changes in supplier terms, such as higher thresholds on sales volume before distributors may qualify for discounts and/or rebates, the overall reduction in the amount of incentives available, reduction or termination of price protection, return levels, or other inventory management programs, or reductions in payment terms, may adversely impact our results of operations or financial condition. Additionally, termination of a supply or services agreement with a major supplier or product supply shortages may adversely impact our results of operations.
- (4) A significant portion of our selling, general and administrative (“SG&A”) expense is comprised of personnel, facilities, and costs of invested capital; a decrease in demand at a faster rate than our ability to reduce such costs may hurt our profitability.
- (5) An interruption or failure of our information systems or subversion of access or other system controls may result in a significant loss of business, assets, or competitive information.
- (6) If the current downturn in economic conditions continues for an extended period of time or worsens, it will likely have an adverse impact on our business.
- (7) We may experience loss of business from one or more significant customers, and an increased risk of credit loss as a result of reseller customers’ businesses being negatively impacted by dramatic changes in the information technology products and services industry as well as intense competition among resellers. Increased losses, if any, may not be covered by credit insurance or we may not be able to obtain credit insurance at reasonable rates or at all.
- (8) Rapid product improvement and technological change resulting in inventory obsolescence or changes in demand may result in a decline in value of a portion of our inventory.
- (9) Future terrorist or military actions could result in disruption to our operations or loss of assets, in certain markets or globally.
- (10) The loss of a key executive officer or other key employees, or changes affecting the work force such as government regulations, collective bargaining agreements or the limited availability of qualified personnel, could disrupt operations or increase our cost structure.
- (11) Changes in our credit rating or other market factors may increase our interest expense or other costs of capital, or capital may not be available to us on acceptable terms to fund our working capital needs.
- (12) Devaluation of a foreign currency, adverse governmental controls or actions, political or economic instability, or other disruption of a foreign market, may adversely impact our operations in that country or globally.

- (13) Our failure to attract new sources of business from expansion of products or services or entry into new markets could negatively impact our future operating results.
- (14) Our failure to adequately adapt to industry changes and to manage potential growth and/or contractions may adversely impact our results of operations.
- (15) Integration of our acquired businesses and similar transactions involve various risks and difficulties. Our operations may be adversely impacted by an acquisition that (i) is not suited for us, (ii) is improperly executed, or (iii) substantially increases our debt.
- (16) Future periodic assessments required by current or new accounting standards relating to long-lived assets, goodwill and other intangible assets may result in additional non-cash charges.
- (17) Seasonal variations in the demand for products and services, as well as the introduction of new products, may cause variations in our quarterly results.
- (18) The failure of certain shipping companies to deliver product to us, or from us to our customers, may adversely impact our results of operations.

We operate our global business in a continually changing environment that involves numerous risks and uncertainties. Future events that may not have been anticipated or discussed here could adversely affect our business, financial condition, results of operations or cash flows.

Reference is made to Exhibit 99.01 hereto for additional discussion of the foregoing factors, as well as additional factors, which may affect our actual results and cause such results to differ materially from those expressed or implied in forward-looking statements. We also make available, free of charge through our website, www.ingrammicro.com, annual, quarterly, and current reports (and amendments thereto) as soon as reasonably practicable after our electronic filing with the Securities and Exchange Commission.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Santa Ana, California. We support our global operations through an extensive sales office and distribution network throughout North America, Europe, Latin America, and Asia-Pacific. As of December 28, 2002, we operated 49 distribution centers worldwide. Additionally, we serve markets where we do not have an in-country presence through various sales offices, including from Santa Ana, California; Buffalo, New York; Miami, Florida; Singapore; and certain countries in Europe.

As of December 28, 2002, we leased substantially all our facilities on varying terms. We also own several facilities, the most significant of which are our office/distribution facilities in Santiago, Chile, Singapore, and Straubing, Germany. We do not anticipate any material difficulties with the renewal of any of our leases when they expire or in securing replacement facilities on commercially reasonable terms. We also own an undeveloped parcel of land in Santa Ana, California totaling approximately 16 acres, and have purchase options on approximately 60 acres in Millington, Tennessee.

As previously described, we have begun a restructuring program, as a result of which we have closed and expect to continue to close some of our facilities, consolidating operations in other existing facilities. See “Item 1. BUSINESS — Business Strategy — Reduce Costs and Enhance Profitability through Continuous Business Process Improvements” above.

ITEM 3. LEGAL PROCEEDINGS

On July 14, 2000, we filed a complaint in Orange County, California Superior Court against The BigStore.com, a customer that had defaulted on over \$3.2 million of debt owed to us, for breach of contract and nonpayment, and also against Robert McNulty and Frank Denny to collect on their individual guarantees of The BigStore's debt to us. On July 31, 2000, we, along with two other creditors, filed an involuntary bankruptcy petition in the United States Bankruptcy Court in Santa Ana, California against The BigStore. In September 2000, The BigStore consented to the conversion of the involuntary bankruptcy to a Chapter 11 proceeding, and also filed a cross-complaint against us in the superior court action. The cross-complaint alleges claims for breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, interference with contract, interference with prospective business advantage, unfair business practices, unfair competition, and misappropriation of trade secrets, and generally alleges that we had deliberately and wrongfully driven The BigStore out of business in order to benefit our other customers who competed with The BigStore. The cross-complaint prays for \$50 million in compensatory damages in addition to punitive damages. McNulty and Denny have also filed their own cross-complaints against us that ask for unspecified damages and for rescission or cancellation of their guarantees of The BigStore's debt.

In October 2000 we removed the superior court action to Federal bankruptcy court. In December 2000 the bankruptcy judge ordered that our actions to collect on the McNulty and Denny guarantees, and the McNulty and Denny cross-complaints, be remanded to Orange County Superior Court, where they now reside, but retained jurisdiction over The BigStore cross-complaint. We have filed answers to the various cross-complaints, denying any liability. Motions for summary judgment by McNulty and Denny were denied. Our motions for summary judgment on their guarantees were heard by the state court on February 4, 2002 and denied. In the meantime, our motion for a writ of attachment against McNulty was granted in the amount of approximately \$1.8 million. Our motion to strike McNulty and Denny's demand for jury trial on their claims relating to the enforceability of the guarantees was granted in December 2002. No trial date is set for the superior court case. In the Summer and Fall 2002, we filed three partial summary judgment motions against The BigStore's claims in the bankruptcy case. All of those motions were fully granted in our favor.

As a result of an internal review by us of export shipments made from our United States distribution facilities during the period prior to 1998, we have determined that certain of these shipments and related documentation were not in compliance with U.S. export regulations. We have notified the appropriate federal government agencies pursuant to applicable voluntary self-disclosure procedures. The reported shipments consisted of modems and other telecommunications products and shrink-wrapped, commercial software readily available through normal retail outlets that contained encryption features then controlled under export regulations. These shipments had a total value of approximately \$673,240. Violations of export laws and regulations are subject to both civil and criminal penalties, including in appropriate circumstances, suspension or loss of export privileges. Since our self-disclosure, a representative of the Department of Commerce has requested additional documents relating to our self-disclosure, which we provided in January 1999. The Department of Commerce has not communicated with us since then. We do not know what position the Department of Commerce will take upon further review of our self-disclosure. We are not able to estimate at this time the amount or nature of penalties, if any, that might be sought against us as a result of the reported violations; however, penalties to which we potentially may be subject could be material.

There are various claims, lawsuits, and pending actions against Ingram Micro incidental to our operations. It is the opinion of management

that the ultimate resolution of these matters will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report, through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of February 22, 2003, there were 632 holders of record of the Class A Common Stock. We believe that there are approximately 35,000 beneficial holders of the Class A Common Stock.

Information as to our quarterly stock prices is included on the inside back cover of our 2002 Annual Report to Shareowners, which is included as part of Exhibit 13.01 and is incorporated in this Annual Report on Form 10-K.

Information as to the principal market on which the Class A Common Stock is traded is included on the inside back cover of our 2002 Annual Report to Shareowners, which is included as part of Exhibit 13.01 and is incorporated by reference in this Annual Report on Form 10-K.

Dividend Policy. We have not declared nor paid any dividends on our Common Stock in the preceding two fiscal years. We currently intend to retain future earnings to finance the growth and development of our business and, therefore, do not anticipate declaring or paying cash dividends on our Common Stock for the foreseeable future. Any future decision to declare or pay dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deems relevant. In addition, certain of our debt facilities contain restrictions on the declaration and payment of dividends.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial information of Ingram Micro for the five year period ended December 28, 2002 is included on page 18 of our 2002 Annual Report to Shareowners, which is included as part of Exhibit 13.01 and is incorporated in this Annual Report on Form 10-K. It should be read in conjunction with the consolidated financial statements included on pages 36 through 63 of our 2002 Annual Report to Shareowners, which are also included as part of Exhibit 13.01 and incorporated in this Annual Report on Form 10-K and the financial statement schedule below in Item 15 of this Annual Report on Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations is included on pages 19 through 35 of our 2002 Annual Report to Shareowners, which are also included as part of Exhibit 13.01 and are incorporated in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The required disclosure is included on page 34 of our 2002 Annual Report to Shareowners, which is also included as part of Exhibit 13.01 and incorporated in this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements are included on pages 36 through 63 of our 2002 Annual Report to Shareowners, which are also included as part of Exhibit 13.01 and incorporated in this Annual Report on Form 10-K. Reference is made to the Index to the Financial Statements in Item 15 below.

A financial statement schedule for our business, and report thereon, are included on pages 33 and 34, respectively, of this Annual Report on Form 10-K. Reference is made to the Index to Financial Statements in Item 15 below.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in our independent accountants or disagreements with such accountants on accounting principles or practices or financial statement disclosures.

PART III

Information regarding executive officers required by Item 401 of Regulation S-K is furnished in a separate disclosure in Part I of this report because we will not furnish such information in our definitive Proxy Statement prepared in accordance with Schedule 14A.

The Notice and Proxy Statement for the 2003 Annual Meeting of Shareowners, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, which is incorporated by reference in this Annual Report on Form 10-K pursuant to General Instruction G(3) of Form 10-K, will provide the remaining information required under Part III (Items 10, 11, 12, and 13).

ITEM 14. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of filing this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c)), including our internal controls. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings relating to our business (including our consolidated subsidiaries).

There were no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the date of the most recent evaluation.

PART IV**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K****(a) 1. Financial Statements:**

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 20, 2003, all appearing on page 36 through 64 in the 2002 Annual Report to Shareowners, are incorporated in this Annual Report on Form 10-K.

With the exception of the aforementioned information and the information incorporated in Items 5, 6, 7, 7A and 8, the 2002 Annual Report to Shareowners is not deemed filed as part of this Annual Report on Form 10-K.

	Page No. In Annual Report to Shareowners
Index to Financial Information	17
Consolidated Balance Sheet at December 28, 2002, and December 29, 2001	36
Consolidated Statement of Income for the years ended December 28, 2002, December 29, 2001 and December 30, 2000	37
Consolidated Statement of Stockholders' Equity for the years ended December 28, 2002, December 29, 2001 and December 30, 2000	38
Consolidated Statement of Cash Flows for the years ended December 28, 2002, December 29, 2001 and December 30, 2000	39
Notes to Consolidated Financial Statements	40
Report of Independent Accountants	64

Pages 18 through 64 and the inside back cover page of the 2002 Annual Report to Shareowners of Ingram Micro Inc. include the Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, the Consolidated Financial Statements and related notes thereto, the Independent Accountants' Report, Shareholder Information and Quarterly Stock Prices. These pages are filed with the Securities and Exchange Commission as Exhibit 13.01 to this Annual Report on Form 10-K.

2. Financial Statement Schedules:

Financial Statement Schedule II — Valuation and Qualifying Accounts.

3. List of Exhibits:

Exhibit No.	Exhibit
3.01	Form of Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.01 to the Company's Registration Statement on Form S-1 (File No. 333-08453) (the "IPO S-1"))
3.02	Certificate of Amendment of the Certificate of Incorporation of the Company dated as of June 5, 2001 (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 (File No. 333-69816) (the "2001 S-4"))
3.03	Amended and Restated Bylaws of the Company dated as of May 30, 2002 (incorporated by reference to Exhibit 3.02 to the Company's Quarterly Report on Form 10-Q for the fiscal period ended June 28, 2002 (the "2002 Q3 10-Q"))
4.01	Indenture between the Company as Issuer and Bank One Trust Corp., N.A. as Trustee, dated as of August 16, 2001, relating to 9 7/8% Senior Subordinated Notes due 2008 (incorporated by reference to Exhibit 4.1 to the 2001 S-4)
10.01	Ingram Micro Inc. Rollover Stock Option Plan (incorporated by reference to Exhibit 10.07 to the IPO S-1)
10.02	Ingram Micro Inc. Key Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.08 to the IPO S-1)
10.03	Ingram Micro Inc. 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.09 to the IPO S-1)
10.04	Ingram Micro Inc. Amended and Restated 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to the IPO S-1)
10.05	Amendment No. 1 to the Ingram Micro Inc. Amended and Restated 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.06 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 1998)
10.06	Ingram Micro Inc. 1998 Equity Incentive Plan (incorporated by reference to Exhibit 10.43 to the 1998 10-K)
10.07	Ingram Micro Inc. 2000 Equity Incentive Plan (incorporated by reference to Exhibit 99.01 to the Company's Registration Statement on Form S-8 (File No. 333-39780))
10.08	Ingram Micro Inc. Executive Incentive Plan (incorporated by reference to Exhibit 10.44 to the 2002 Q3 10-Q)
10.09	Amended and Restated Reorganization Agreement dated as of October 17, 1996 among the Company, Ingram Industries Inc., and Ingram Entertainment Inc. (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 (File No. 333-16667) (the "Thrift Plan S-1"))
10.10	Registration Rights Agreement dated as of November 6, 1996 among the Company and the persons listed on the signature pages thereof (incorporated by reference to Exhibit 10.14 to the Thrift Plan S-1)
10.11	Board Representation Agreement dated as of November 6, 1996 (incorporated by reference to Exhibit 10.15 to the Thrift Plan S-1)
10.12	Amendment No. 1 to the Board Representation Agreement dated as of June 1, 2001 (incorporated by reference to Exhibit 3.4 to the 2001 S-4)

Exhibit No.	Exhibit
10.13	Amendment No. 2 to the Board Representation Agreement dated as of March 12, 2002 (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2001 ("the "2001 10-K"))
10.14	Amendment No. 3 to the Board Representation Agreement dated as of Mary 30, 2002 (incorporated by reference to Exhibit 10.43 to the 2002 Q3 10-Q)
10.15	Thrift Plan Liquidity Agreement dated as of November 6, 1996 among the Company and the Ingram Thrift Plan (incorporated by reference to Exhibit 10.16 to the Thrift Plan S-1)
10.16	Tax Sharing and Tax Services Agreement dated as of November 6, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.17 to The Thrift Plan S-1)
10.17	Employee Benefits Transfer and Assumption Agreement dated as of November 6, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.19 to the Thrift Plan S-1)
10.18	Amended and Restated Exchange Agreement dated as of November 6, 1996 among the Company, Ingram Industries, Ingram Entertainment and the other parties thereto (incorporated by reference to Exhibit 10.21 to the Thrift Plan S-1)
10.19	Ingram Micro Supplemental Investment Savings Plan (incorporated by reference to Exhibit 10.45 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999)
10.20	Reserved
10.21	Registration Agreement dated as of December 3, 1999 between the Company and Softbank Corp. (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-3 (File No. 333-93783) (the "1999 S-3"))
10.22	Warrant Agreement dated as of December 3, 1999 between the Company and Softbank Corp. (incorporated by reference to Exhibit 4.02 to the 1999 S-3)
10.23	Executive Retention Agreement with Michael J. Grainger, dated January 31, 2000 (incorporated by reference to Exhibit 10.48 to the 1999 10-K)
10.24	Executive Retention Agreement with Kevin M. Murai, dated January 31, 2000 (incorporated by reference to Exhibit 10.49 to the 1999 10-K)
10.25	Executive Retention Agreement with Gregory M.E. Spierkel, dated January 31, 2000 (incorporated by reference to Exhibit 10.50 to the 1999 10-K)
10.26	Executive Retention Agreement with Henri T. Koppen, dated January 31, 2000 (incorporated by reference to Exhibit 10.51 to the 1999 10-K)
10.27	Executive Retention Agreement with Guy P. Abramo, dated January 31, 2000 (incorporated by reference to Exhibit 10.52 to the 1999 10-K)
10.28	Executive Retention Agreement with James E. Anderson, Jr., dated January 31, 2000 (incorporated by reference to Exhibit 10.53 to the 1999 10-K)
10.29	Executive Retention Agreement with David M. Finley, dated January 31, 2000 (incorporated by reference to Exhibit 10.54 to the 1999 10-K)

Exhibit No.	Exhibit
10.30	Employment Agreement with Kent B. Foster, dated March 6, 2000 (incorporated by reference to Exhibit 10.55 to the 1999 10-K)
10.31	Amended and Restated Pooling Agreement dated as of March 8, 2000 among Ingram Funding Inc. (“Funding”), the Company and The Chase Manhattan Bank (“Chase”), as trustee (the “Amended Pooling Agreement”) (incorporated by reference to Exhibit 10.56 to the 1999 10-K)
10.32	Amended and Restated Receivables Sale Agreement dated as of March 8, 2000 between Funding, as Purchaser, and the Company, as Seller and Servicer (incorporated by reference to Exhibit 10.57 to the 1999 10-K)
10.33	Amended and Restated Servicing Agreement dated as of March 8, 2000 among Funding, the Company, as Master Servicer and Servicer, and Chase, as trustee (incorporated by reference to Exhibit 10.58 to the 1999 10-K)
10.34	Series 2000-1 Supplement to the Amended Pooling Agreement dated as of March 8, 2000 among Funding, the Company and Chase (incorporated by reference to Exhibit 10.59 to the 1999 10-K)
10.35	Series 1994-3 Supplement to the Amended Pooling Agreement dated as of March 8, 2000 among Funding, the Company and Chase (incorporated by reference to Exhibit 10.61 to the 1999 10-K)
10.36	Agreement dated March 8, 2000 among the Company, Ingram Funding Inc. and General Electric Capital Corporation (incorporated by reference to Exhibit 10.63 to the 1999 10-K)
10.37	Executive Retention Plan (incorporated by reference to Exhibit 10.01 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (the “Q2 2001 10-Q”))
10.38	Executive Retention Plan Agreement with Guy P. Abramo (incorporated by reference to Exhibit 10.02 to the Q2 2001 10-Q)
10.39	Executive Retention Plan Agreement with Kevin M. Murai (incorporated by reference to Exhibit 10.03 to the Q2 2001 10-Q)
10.40	Executive Retention Plan Agreement with Gregory M.E. Spierkel (incorporated by reference to Exhibit 10.04 to the Q2 2001 10-Q)
10.41	US\$150,000,000 Credit Agreement dated as of December 13, 2002 among the Company, as Initial Borrower and Guarantor, Ingram European Coordination Center N.V., as Initial Borrower, certain financial institutions as the Lenders, ABN AMRO Bank N.V., as the Syndication Agent for the Lenders and The Bank of Nova Scotia, as the Administrative Agent for the Lenders (the “2002 Credit Agreement”)
10.42	Amendment No. 1 dated as of February 20, 2003 to the 2002 Credit Agreement
10.43	Reserved
10.44	Amendment No. 1 dated as of February 10, 2003 to Series 2000-1 Supplement dated as of March 8, 2000 among Funding, the Company as Master Servicers, Redwood Receivables Corporation, as the sole Purchaser, JPMorgan Chase Bank, as Trustee, and General Electric Capital Corporation, as Agent and sole Liquidity Bank

Exhibit No.	Exhibit
10.45	Executive Retention Plan Agreement with Henri T. Koppen
10.46	Separation Agreement dated as of February 14, 2003 with David M. Finley
13.01	Portions of Annual Report to Shareowners for the fiscal year ended December 28, 2002
21.01	Subsidiaries of the Registrant
23.01	Consent of Independent Accountants regarding certain Registration Statements on Form S-8
23.02	Consent of Independent Accountants regarding Registration Statements on Form S-3
99.01	Cautionary Statements for Purposes of the “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995
99.02	Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
99.03	Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

(b) Reports on Form 8-K

We filed a Current Report on Form 8-K:

- (a) on October 25, 2002 in connection with the filing of certifications by our principal executive officer and principal financial officer pursuant to Order 4-460 of the Commission, and
- (b) on October 30, 2002 in connection with the issuance of a press release announcing financial results for the third quarter and nine months ended September 28, 2002.

INGRAM MICRO INC.
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Description	Balance at Beginning of year	Charged to costs and expenses	Deductions	Other(*)	Balance at end of year
Allowance for doubtful accounts receivable and sales returns:					
2002	\$ 79,927	\$50,765	\$(46,415)	\$ 5,612	\$89,889
2001	96,994	58,960	(75,090)	(937)	79,927
2000	100,754	71,846	(74,227)	(1,379)	96,994

*Other includes recoveries, acquisitions, and the effect of fluctuation in foreign currency.

**REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE**

To the Board of Directors of Ingram Micro Inc.

Our audits of the consolidated financial statements referred to in our report dated February 20, 2003, appearing in the 2002 Annual Report to Shareowners of Ingram Micro Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Los Angeles, California
February 20, 2003

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

INGRAM MICRO INC.

By: /s/ James E. Anderson, Jr.

March 25, 2003

James E. Anderson, Jr.,
Senior Vice President,
Secretary and General Counsel

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ Kent B. Foster _____ Kent B. Foster	Chairman and Chief Executive Officer (Principal Executive Officer)	March 25, 2003
/s/ Thomas A. Madden _____ Thomas A. Madden	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 25, 2003
/s/ John R. Ingram _____ John R. Ingram	Director	March 25, 2003
/s/ Martha R. Ingram _____ Martha R. Ingram	Director	March 25, 2003
/s/ Orrin H. Ingram II _____ Orrin H. Ingram II	Director	March 25, 2003
/s/ Dale R. Laurance _____ Dale R. Laurance	Director	March 25, 2003
/s/ Gerhard Schulmeyer _____ Gerhard Schulmeyer	Director	March 25, 2003
/s/ Michael T. Smith _____ Michael T. Smith	Director	March 25, 2003
/s/ Joe B. Wyatt _____ Joe B. Wyatt	Director	March 25, 2003

CERTIFICATIONS

I, Kent B. Foster, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ingram Micro Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c)) and 15d-14 for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 25, 2003

/s/ Kent B. Foster

Name: Kent B. Foster
Title: Chairman and Chief Executive Officer
(Principal Executive Officer)

I, Thomas A. Madden, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ingram Micro Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14 for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 25, 2003

/s/ Thomas A. Madden

Name: Thomas A. Madden
Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit Index

Exhibit No.	Exhibit
3.01	Form of Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.01 to the Company's Registration Statement on Form S-1 (File No. 333-08453) (the "IPO S-1"))
3.02	Certificate of Amendment of the Certificate of Incorporation of the Company dated as of June 5, 2001 (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 (File No. 333-69816) (the "2001 S-4"))
3.03	Amended and Restated Bylaws of the Company dated as of May 30, 2002 (incorporated by reference to Exhibit 3.02 to the Company's Quarterly Report on Form 10-Q for the fiscal period ended June 28, 2002 (the "2002 Q3 10-Q"))
4.01	Indenture between the Company as Issuer and Bank One Trust Corp., N.A. as Trustee, dated as of August 16, 2001, relating to 9 7/8% Senior Subordinated Notes due 2008 (incorporated by reference to Exhibit 4.1 to the 2001 S-4)
10.01	Ingram Micro Inc. Rollover Stock Option Plan (incorporated by reference to Exhibit 10.07 to the IPO S-1)
10.02	Ingram Micro Inc. Key Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.08 to the IPO S-1)
10.03	Ingram Micro Inc. 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.09 to the IPO S-1)
10.04	Ingram Micro Inc. Amended and Restated 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to the IPO S-1)
10.05	Amendment No. 1 to the Ingram Micro Inc. Amended and Restated 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.06 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 1998)
10.06	Ingram Micro Inc. 1998 Equity Incentive Plan (incorporated by reference to Exhibit 10.43 to the 1998 10-K)
10.07	Ingram Micro Inc. 2000 Equity Incentive Plan (incorporated by reference to Exhibit 99.01 to the Company's Registration Statement on Form S-8 (File No. 333-39780))
10.08	Ingram Micro Inc. Executive Incentive Plan (incorporated by reference to Exhibit 10.44 to the 2002 Q3 10-Q)
10.09	Amended and Restated Reorganization Agreement dated as of October 17, 1996 among the Company, Ingram Industries Inc., and Ingram Entertainment Inc. (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 (File No. 333-16667) (the "Thrift Plan S-1"))
10.10	Registration Rights Agreement dated as of November 6, 1996 among the Company and the persons listed on the signature pages thereof (incorporated by reference to Exhibit 10.14 to the Thrift Plan S-1)
10.11	Board Representation Agreement dated as of November 6, 1996 (incorporated by reference to Exhibit 10.15 to the Thrift Plan S-1)
10.12	Amendment No. 1 to the Board Representation Agreement dated as of June 1, 2001 (incorporated by reference to Exhibit 3.4 to the 2001 S-4)

Exhibit No.	Exhibit
10.13	Amendment No. 2 to the Board Representation Agreement dated as of March 12, 2002 (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2001 ("the "2001 10-K"))
10.14	Amendment No. 3 to the Board Representation Agreement dated as of Mary 30, 2002 (incorporated by reference to Exhibit 10.43 to the 2002 Q3 10-Q)
10.15	Thrift Plan Liquidity Agreement dated as of November 6, 1996 among the Company and the Ingram Thrift Plan (incorporated by reference to Exhibit 10.16 to the Thrift Plan S-1)
10.16	Tax Sharing and Tax Services Agreement dated as of November 6, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.17 to The Thrift Plan S-1)
10.17	Employee Benefits Transfer and Assumption Agreement dated as of November 6, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.19 to the Thrift Plan S-1)
10.18	Amended and Restated Exchange Agreement dated as of November 6, 1996 among the Company, Ingram Industries, Ingram Entertainment and the other parties thereto (incorporated by reference to Exhibit 10.21 to the Thrift Plan S-1)
10.19	Ingram Micro Supplemental Investment Savings Plan (incorporated by reference to Exhibit 10.45 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999)
10.20	Reserved
10.21	Registration Agreement dated as of December 3, 1999 between the Company and Softbank Corp. (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-3 (File No. 333-93783) (the "1999 S-3"))
10.22	Warrant Agreement dated as of December 3, 1999 between the Company and Softbank Corp. (incorporated by reference to Exhibit 4.02 to the 1999 S-3)
10.23	Executive Retention Agreement with Michael J. Grainger, dated January 31, 2000 (incorporated by reference to Exhibit 10.48 to the 1999 10-K)
10.24	Executive Retention Agreement with Kevin M. Murai, dated January 31, 2000 (incorporated by reference to Exhibit 10.49 to the 1999 10-K)
10.25	Executive Retention Agreement with Gregory M.E. Spierkel, dated January 31, 2000 (incorporated by reference to Exhibit 10.50 to the 1999 10-K)
10.26	Executive Retention Agreement with Henri T. Koppen, dated January 31, 2000 (incorporated by reference to Exhibit 10.51 to the 1999 10-K)
10.27	Executive Retention Agreement with Guy P. Abramo, dated January 31, 2000 (incorporated by reference to Exhibit 10.52 to the 1999 10-K)
10.28	Executive Retention Agreement with James E. Anderson, Jr., dated January 31, 2000 (incorporated by reference to Exhibit 10.53 to the 1999 10-K)
10.29	Executive Retention Agreement with David M. Finley, dated January 31, 2000 (incorporated by reference to Exhibit 10.54 to the 1999 10-K)

Exhibit No.	Exhibit
10.30	Employment Agreement with Kent B. Foster, dated March 6, 2000 (incorporated by reference to Exhibit 10.55 to the 1999 10-K)
10.31	Amended and Restated Pooling Agreement dated as of March 8, 2000 among Ingram Funding Inc. (“Funding”), the Company and The Chase Manhattan Bank (“Chase”), as trustee (the “Amended Pooling Agreement”) (incorporated by reference to Exhibit 10.56 to the 1999 10-K)
10.32	Amended and Restated Receivables Sale Agreement dated as of March 8, 2000 between Funding, as Purchaser, and the Company, as Seller and Servicer (incorporated by reference to Exhibit 10.57 to the 1999 10-K)
10.33	Amended and Restated Servicing Agreement dated as of March 8, 2000 among Funding, the Company, as Master Servicer and Servicer, and Chase, as trustee (incorporated by reference to Exhibit 10.58 to the 1999 10-K)
10.34	Series 2000-1 Supplement to the Amended Pooling Agreement dated as of March 8, 2000 among Funding, the Company and Chase (incorporated by reference to Exhibit 10.59 to the 1999 10-K)
10.35	Series 1994-3 Supplement to the Amended Pooling Agreement dated as of March 8, 2000 among Funding, the Company and Chase (incorporated by reference to Exhibit 10.61 to the 1999 10-K)
10.36	Agreement dated March 8, 2000 among the Company, Ingram Funding Inc. and General Electric Capital Corporation (incorporated by reference to Exhibit 10.63 to the 1999 10-K)
10.37	Executive Retention Plan (incorporated by reference to Exhibit 10.01 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (the “Q2 2001 10-Q”))
10.38	Executive Retention Plan Agreement with Guy P. Abramo (incorporated by reference to Exhibit 10.02 to the Q2 2001 10-Q)
10.39	Executive Retention Plan Agreement with Kevin M. Murai (incorporated by reference to Exhibit 10.03 to the Q2 2001 10-Q)
10.40	Executive Retention Plan Agreement with Gregory M.E. Spierkel (incorporated by reference to Exhibit 10.04 to the Q2 2001 10-Q)
10.41	US\$150,000,000 Credit Agreement dated as of December 13, 2002 among the Company, as Initial Borrower and Guarantor, Ingram European Coordination Center N.V., as Initial Borrower, certain financial institutions as the Lenders, ABN AMRO Bank N.V., as the Syndication Agent for the Lenders and The Bank of Nova Scotia, as the Administrative Agent for the Lenders (the “2002 Credit Agreement”)
10.42	Amendment No. 1 dated as of February 20, 2003 to the 2002 Credit Agreement
10.43	Reserved
10.44	Amendment No. 1 dated as of February 10, 2003 to Series 2000-1 Supplement dated as of March 8, 2000 among Funding, the Company as Master Servicers, Redwood Receivables Corporation, as the sole Purchaser, JPMorgan Chase Bank, as Trustee, and General Electric Capital Corporation, as Agent and sole Liquidity Bank

Exhibit No.	Exhibit
10.45	Executive Retention Plan Agreement with Henri T. Koppen
10.46	Separation Agreement dated as of February 14, 2003 with David M. Finley
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99.01	Cautionary Statements for Purposes of the “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995
99.02	Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
99.03	Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

US \$150,000,000

CREDIT AGREEMENT

dated as of December 13, 2002,

among

INGRAM MICRO INC.,
as an Initial Borrower and Guarantor,
INGRAM EUROPEAN COORDINATION CENTER N.V.,
as an Initial Borrower,

CERTAIN FINANCIAL INSTITUTIONS,
as the Lenders,

ABN AMRO BANK N.V.,
as the Syndication Agent for the Lenders

and

THE BANK OF NOVA SCOTIA,
as the Administrative Agent for the Lenders

As arranged by

THE BANK OF NOVA SCOTIA AND
ABN AMRO INCORPORATED,
as the Joint Lead Arrangers and
Joint Book Runners

FLEET NATIONAL BANK, AND
KEYBANK NATIONAL ASSOCIATION,
as Co-Documentation Agents for the Lenders,

[INGRAM MICRO GRAPHIC]

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Exhibit N	-	Accession Request and Acknowledgment

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is entered into as of December 13, 2002, among:

- - INGRAM MICRO INC., a corporation organized and existing under the laws of the State of Delaware, United States of America ("Micro");
- - INGRAM EUROPEAN COORDINATION CENTER N.V., a company organized and existing under the laws of The Kingdom of Belgium ("Coordination Center," and collectively with Micro, the "Initial Borrowers");
- - The financial institutions party hereto (together with their respective successors and permitted assigns and any branch or affiliate of a financial institution funding a Revolving Loan as permitted by Section 5.6 as a signatory or otherwise, collectively, the "Lenders"); and
- - THE BANK OF NOVA SCOTIA ("Scotia Capital"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent") and ABN AMRO Bank N.V., as syndication agent for the Lenders (in such capacity, the "Syndication Agent", and collectively with the Administrative Agent, the "Agents").

WHEREAS, Micro and its Subsidiaries (such capitalized term and all other capitalized terms used herein having the meanings provided in Section 1.1) are engaged primarily in the business of the wholesale distribution of microcomputer software and hardware products, multimedia products, customer financing, assembly and configuration and other related wholesaling, distribution and service activities; and

WHEREAS, Micro wishes to obtain for itself and Coordination Center as Initial Borrowers, Commitments from all the Lenders for Credit Extensions to be made prior to the Commitment Termination Date in an aggregate amount in any Available Currency, not to exceed the Total Credit Commitment Amount at any one time outstanding, such Credit Extensions being available as Revolving Loans and Letters of Credit, so long as the Letter of Credit Outstandings never exceed the Letter of Credit Limit; and

WHEREAS, Micro is willing to guarantee all Obligations of Coordination Center; and

WHEREAS, the Lenders are willing, pursuant to and in accordance with the terms of this Agreement, to extend severally Commitments to make, from time to time prior to the Commitment Termination Date, Credit Extensions in an aggregate amount at any time outstanding not to exceed the excess of the Total Credit Commitment Amount over the then Outstanding Credit Extensions; and

WHEREAS, the proceeds of the Credit Extensions will be used for general corporate purposes (including, working capital and, so long as the relevant Borrower has complied with Section 8.2.7, Acquisitions) of each Borrower and its Subsidiaries;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency, of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.1 DEFINED TERMS. The following terms when used in this Agreement, including its preamble and recitals, shall, except where the context otherwise requires, have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

"ABN AMRO" means, collectively, ABN AMRO Bank N.V. and ABN AMRO Incorporated.

"Acceding Borrower" is defined in Section 6.3.

"Accession Request and Acknowledgment" means a request for accession duly completed and executed by an Authorized Person of the applicable Acceding Borrower and acknowledged by an Authorized Person of each Guarantor, substantially in the form of Exhibit N attached hereto.

"Acquired Existing Debt and Liens" means, for a period of 90 days following the acquisition or merger of a Person by or into Micro or any of its Subsidiaries or the acquisition of a business unit of a Person or the assets of a Person or business unit of a Person by Micro or any of its Subsidiaries, the Indebtedness and Liens of that Person or business unit that (a) were not incurred in connection with that acquisition or merger and do not constitute any refinancing of Indebtedness so incurred and (b) were in existence at the time of that acquisition or merger.

"Acquisition" means any transaction, or any series of related transactions, by which Micro and/or any of its Subsidiaries directly or indirectly (a) acquires any ongoing business or all or substantially all of the assets of any Person or division thereof, whether through purchase of assets, merger or otherwise, (b) acquires (in one transaction or as the most recent transaction in a series of transactions) control of at least a majority in ordinary voting power of the securities of a Person which have ordinary voting power for the election of directors of such Person or (c) otherwise acquires control of a more than 50% ownership interest in any Person.

"Additional Guarantor" means each Subsidiary of Micro as shall from time to time become a Guarantor in accordance with Section 8.1.10.

"Additional Guaranty" means a guaranty, substantially in the form of the Exhibit I attached hereto, duly executed and delivered by an Authorized Person of each Additional Guarantor, as amended, supplemented, restated, or otherwise modified from time to time.

"Additional Permitted Liens" means, as of any date (a) Liens securing Indebtedness and not described in clauses (a) through (l) of Section 8.2.2, but only to the extent that (i) the Amount of Additional Liens on that date does not exceed 20% of Consolidated Tangible Net Worth on

that date and (ii) the Borrowers are otherwise in compliance with Section 8.2.1(b)(i), and (b) Liens constituting Acquired Existing Debt and Liens on that date.

"Administrative Agent" is defined in the preamble and includes each other Person as shall have subsequently been appointed as the successor Administrative Agent pursuant to Section 10.4.

"Affiliate" of any Person means any other Person which, directly or indirectly, controls, is controlled by or is under common control with such Person (excluding any trustee under, or any committee with responsibility for administering, any Plan). A Person shall be deemed to be controlled by any other Person if such other Person possesses, directly or indirectly, power (a) to vote, in the case of any Lender Party, 10% or more or, in the case of any other Person, 35% or more, of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners, or (b) in the case of any Lender Party or any other Person, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Affiliate Transaction" is defined in Section 8.2.6.

"Agents" is defined in the preamble.

"Agreement" means this Credit Agreement, as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms.

"Amount of Additional Liens" means, at any date, the aggregate principal amount of Indebtedness secured by Additional Permitted Liens on such date.

"Applicable Margin" means, for any Revolving Loan or Letter of Credit (a) for any day during the period from and including the Effective Date, through and including the last day of the Fiscal Period ending on the Saturday nearest June 30, 2003, 1.75% per annum and (a) for any day thereafter, the rate per annum determined in accordance with the following procedure:

(1) If the Pricing Level set forth opposite the Leverage Ratio is the same as the Pricing Level set forth opposite the applicable Credit Rating, then the Applicable Margin for that Pricing Level shall be the Applicable Margin.

(2) If the Pricing Level set forth opposite the Leverage Ratio differs by one Pricing Level from the Pricing Level set forth opposite the applicable Credit Rating, then the Applicable Margin for the lower numbered Pricing Level of the two shall be the Applicable Margin.

(3) If the Pricing Level set forth opposite the Leverage Ratio differs by more than one Pricing Level from the Pricing Level set forth opposite the applicable Credit Rating, then the Applicable Margin shall be the average of the Applicable Margins for such two Pricing Levels.

PRICING LEVEL	CREDIT RATING	LEVERAGE RATIO	APPLICABLE MARGIN
Level I	Higher than or equal to BBB or Baa2	Less than 2.00	1.25%
Level II	BBB- or Baa3	Greater than or equal to 2.00, but less than 2.50	1.50%
Level III	BB+ or Ba1	Greater than or equal to 2.50, but less than 3.00	1.75%
Level IV	BB or Ba2	Greater than or equal to 3.00, but less than 3.50	2.25%
Level V	Lower than or equal to BB- or Ba3	Greater than or equal to 3.50	3.00%

Any change in the Applicable Margin as a result in a change in the Credit Rating assigned by either S&P or Moody's will be effective as of the day subsequent to the date on which S&P or Moody's, as the case may be, releases the applicable change in its Credit Rating. If the Credit Ratings assigned by S&P and Moody's fall into different Pricing Levels, then the applicable Pricing Level shall be determined by reference to the lower of the two Credit Ratings.

The applicable Leverage Ratio shall be the Leverage Ratio for the Fiscal Period most recently ended prior to such day for which financial statements and reports have been received by the Administrative Agent pursuant to Section 8.1.1(a) or (b), as set forth in (and effective upon delivery by Micro to the Administrative Agent of) the related new Compliance Certificate pursuant to Section 8.1.1(d).

Notwithstanding the foregoing, (i) for so long as an Event of Default has occurred and is continuing the applicable Pricing Level shall be Level V and (ii) if Micro shall fail to deliver a Compliance Certificate required to be delivered pursuant to Section 8.1.1(d) within 60 days after the end of any of its fiscal quarters (or within 90 days, in the case of the last fiscal quarter of its Fiscal Year), the applicable Pricing Level from and including the 61st (or 91st, as the case may be) day after the end of such fiscal quarter (or Fiscal Year, as the case may be) to but not including the date Micro delivers to the Administrative Agent a quarterly Compliance Certificate shall be Level V.

"Applicable Time" means, except as provided in clause (ii), (i) New York City time and (ii) in the case of notices, payments, requests or other actions relating to any Revolving Loan or Letter of Credit denominated in any Available Currency other than Dollars, the local time in the Principal Financial Center of the Available Currency in which such Revolving Loan or Letter of Credit is denominated.

"Authorized Person" means those officers or employees of each Obligor whose signatures and incumbency shall have been certified to the Administrative Agent pursuant to Section 6.1.1 or 6.3.1.

"Available Credit Commitment" means, for any Lender and at any time, the amount (not less than zero) equal to the remainder of (a) its Credit Commitment Amount at that time minus (b) its Outstanding Credit Extensions at that time.

"Available Currency" means Dollars, Sterling and Euro, and any other currency approved in writing by all of the Lenders.

"Board Representation Agreement" means the Board Representation Agreement dated as of November 6, 1996 and amended as of June 1, 2001, March 12, 2002 and May 30, 2002, among Micro and the "Family Stockholders" (as defined therein) listed on the signature pages thereof, as in effect without giving effect to any further amendment, waiver, supplement, or modification except for any such amendment, waiver, supplement, or modification that does not materially alter the terms thereof (excluding from such exception however, any such amendment, waiver, supplement, or modification that in any way expands the scope of or materially affects the definition of "Family Stockholders" set forth therein).

"Borrowers" means, collectively, the Initial Borrowers and the Acceding Borrowers party to this Agreement from time to time, together with their respective successors and assigns.

"Borrowing" means the Revolving Loans having the same Interest Period, made by all Lenders on the same Business Day, and made pursuant to the same Borrowing Request in accordance with Section 3.1.

"Borrowing Request" means a loan request and certificate for Revolving Loans duly completed and executed by an Authorized Person of the relevant Borrower, substantially in the form of Exhibit B attached hereto.

"Business Day" means

(a) any day which (i) is neither a Saturday or Sunday nor a legal holiday on which banks are authorized or required to be closed in London or in Brussels and (ii) relative to the making, continuing, prepaying of Revolving Loans denominated in an Available Currency, is also a day on which dealings in such Available Currency are carried on in the interbank eurodollar market in London or New York City; and

(b) relative to the making of any payment in respect of any Credit Extension denominated in an Available Currency other than Sterling, any day on which dealings in such Available Currency are carried on in the London interbank eurodollar market and in the relevant local money market.

"Business Improvement Program Charges" means, for any period, the aggregate business improvement program charges recorded in accordance with GAAP by Micro and its Consolidated Subsidiaries during such period with respect to the comprehensive business improvement program described in the September 18, 2002 Press Release of Micro.

"Capitalized Lease Liabilities" of any Person means, at any time, any obligation of such Person at such time to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property, which obligation is, or in accordance with GAAP (including FASB Statement 13) is required to be, classified and accounted for as a capital lease on a balance sheet of such Person at the time incurred; and for purposes of this Agreement the amount of such obligation shall be the capitalized amount thereof determined in accordance with such FASB Statement 13.

"Cash Business Improvement Program Charges" means Business Improvement Program Charges that will require a corresponding cash expenditure.

"Code" means the U.S. Internal Revenue Code of 1986, as amended and as in effect from time to time, and any rules and regulations promulgated thereunder.

"Commitment" means, relative to each Lender, its obligation under Section 2.1(a) to make Revolving Loans and under Section 3.2 to participate in Letters of Credit and drawings thereunder.

"Commitment Termination Date" means the third anniversary of the Effective Date, or the earlier date of termination in whole of the Commitments pursuant to Section 2.2, 9.2 or 9.3.

"Compliance Certificate" means a report duly completed, with substantially the same information as set forth in Exhibit E attached hereto, as such Exhibit E may be amended, supplemented, restated or otherwise modified from time to time.

"consolidated" and any derivative thereof each means, with reference to the accounts or financial reports of any Person, the consolidated accounts or financial reports of such Person and each Subsidiary of such Person determined in accordance with GAAP, including principles of consolidation consistent with those applied in the preparation of the consolidated financial statements of Micro referred to in Section 7.6.

"Consolidated Assets" means, at any date, the total assets of Micro and its Consolidated Subsidiaries that would be reflected on a consolidated balance sheet of Micro and its Consolidated Subsidiaries as at such date in accordance with GAAP.

"Consolidated EBITDA" means, for any period, Consolidated Income (or Loss) from Operations for such period adjusted by adding thereto (a) the amount of all amortization of intangibles, depreciation and any other non-cash charges that were deducted in arriving at Consolidated Income (or Loss) from Operations for such period and (b) the amount of Cash Business Improvement Program Charges recorded in accordance with GAAP during such period; provided that the cumulative amount of Cash Business Improvement Program Charges added may not exceed \$50,000,000.

"Consolidated Funded Debt" means, as at any date, the total of all Funded Debt of Micro and its Consolidated Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between Micro and its Consolidated Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of Micro and its Consolidated Subsidiaries in accordance with GAAP.

"Consolidated Income (or Loss) from Operations" means, for any period, the amount of "income or loss from operations" (or any substituted or replacement line item) reflected on a consolidated statement of income of Micro and its Consolidated Subsidiaries for such period in accordance with GAAP.

"Consolidated Interest Charges" means, for any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between Micro and its Consolidated Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of Micro and its Consolidated Subsidiaries in accordance with GAAP):

(a) aggregate Net Interest Expense for such period plus, to the extent not deducted in determining Consolidated Net Income for such period, the amount of all interest previously capitalized or deferred that was amortized during such period; plus

(b) all debt discount and expense amortized or required to be amortized in the determination of Consolidated Net Income for such period; plus

(c) all attributable interest, fees in lieu of interest and "losses on sales of receivables" (or any substituted or replacement line item) reflected on a consolidated statement of income of Micro and its Consolidated Subsidiaries for such period, in each case associated with any securitization program by Micro or any of its Consolidated Subsidiaries.

"Consolidated Liabilities" means, at any date, the sum of all obligations of Micro and its Consolidated Subsidiaries that would be reflected on a consolidated balance sheet of Micro and its Consolidated Subsidiaries as at such date in accordance with GAAP.

"Consolidated Net Income" means, for any period, the consolidated net income of Micro and its Consolidated Subsidiaries as reflected on a consolidated statement of income of Micro and its Consolidated Subsidiaries for such period in accordance with GAAP.

"Consolidated Retained Receivables" means, at any date, the face amount (calculated in Dollars but net of any amount allocated to the relevant Trade Accounts Receivable with respect to any reserve or similar allowance for doubtful payment) of all Trade Accounts Receivable of Micro and its Consolidated Subsidiaries outstanding as at such date (including the amount of "retained interest in securitized receivables" (or any substituted or replacement line item) that would be reflected on a consolidated balance sheet of Micro and its Consolidated Subsidiaries at such date, it being agreed for the avoidance of doubt that Consolidated Retained Receivables shall not include any Consolidated Transferred Receivables).

"Consolidated Stockholders' Equity" means, at any date, the remainder of (a) Consolidated Assets as at such date, minus (b) Consolidated Liabilities as at such date.

"Consolidated Subsidiary" means any Subsidiary whose financial statements are required in accordance with GAAP to be consolidated with the consolidated financial statements delivered by Micro from time to time in accordance with Section 8.1.1.

"Consolidated Tangible Net Worth" means, at any date, the remainder of (a) Consolidated Stockholders' Equity as at the end of the most recently ended Fiscal Period for which financial statements have been delivered pursuant to Section 6.1.4 or 8.1.1 plus the accumulated after-tax amount of non-cash charges and adjustments to income and Consolidated Stockholders' Equity attributable to employee stock options and stock purchases through the last day of such Fiscal Period, minus (b) goodwill and other Intangible Assets of Micro and its Consolidated Subsidiaries as at such last day.

"Consolidated Transferred Receivables" means, at any date, the face amount (calculated in Dollars but net of any amount allocated by Micro or any of its Consolidated Subsidiaries to the relevant Trade Accounts Receivable with respect to any reserve or similar allowance for doubtful payment) of all Trade Accounts Receivable (or an undivided interest in a specified amount thereof) originally payable to the account of Micro or any of its Consolidated Subsidiaries, which have not been discharged at such date and in respect of which Micro's or any such Consolidated Subsidiary's rights and interests have, on or prior to such date, been sold, assigned or otherwise transferred, in whole or in part, to any Person other than Micro or any of its Consolidated Subsidiaries (either directly or by way of such Person holding an undivided interest in a specified amount of Trade Accounts Receivable sold, assigned or otherwise transferred to a trust), it being agreed for avoidance of doubt that (a) the determination of whether Trade Accounts Receivable (or an undivided interest in a specified amount thereof) have been sold, assigned or otherwise transferred, in whole or in part, shall be made on the basis of the form of such sale, assignment or transfer and not on GAAP and (b) the amount of any such Trade Accounts Receivable that are Consolidated Transferred Receivables shall be net of the amount, if any, of Consolidated Retained Receivables determined with respect thereto.

"Contingent Liability" means any agreement, undertaking or arrangement (including any partnership, joint venture or similar arrangement) by which any Person guarantees, endorses or otherwise becomes or is contingently liable (by direct or indirect agreement, contingent or otherwise) to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or obligation or any other liability of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other person, if the primary purpose or intent thereof by the Person incurring the Contingent Liability is to provide assurance to the obligee of such obligation of another Person that such obligation of such other Person will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected (in whole or in part) against loss in respect thereof. The amount of any Person's obligation under any Contingent Liability shall be deemed to be the lower of (a) the outstanding principal or face amount of the debt, obligation or other liability guaranteed thereby and (b) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Contingent Liability, unless such obligation and the maximum amount for which such Person may be liable are not stated or determinable, in which case the amount of such Contingent Liability shall be such Person's maximum reasonably anticipated liability in respect thereof as determined by Micro in good faith.

"Continuation Notice" means a notice of continuation and certificate for Revolving Loans duly completed and executed by an Authorized Person of the relevant Borrower, substantially in the form of Exhibit D attached hereto.

"Controlled Group" means all members of a controlled group of corporations and all members of a controlled group of trades or businesses (whether or not incorporated) under common control which, together with Micro, are treated as a single employer under Section 414(b) or 414(c) of the Code or Section 4001 of ERISA.

"Coordination Center" is defined in the preamble.

"Cost of Funds" means, for the Administrative Agent or any Lender, as the case may be, its cost, from whatever source it reasonably selects, of funds in respect of any expenditure or funding by it or in respect of maintaining any Revolving Loan, as the case may be.

"Cost of Funds Rate Loan" means, for any Lender, any Revolving Loan bearing interest at an annual rate equal to the sum of (a) the Applicable Margin for that Loan plus (b) such Lender's Cost of Funds.

"Credit Commitment Amount" means, relative to any Lender at any time, such Lender's Percentage multiplied by the then Total Credit Commitment Amount as in effect at such time.

"Credit Extension" means, collectively, (a) the making of Revolving Loans by the Lenders and (b) the issuance by any Issuer of a Letter of Credit.

"Credit Extension Request" means, as the context may require, a Borrowing Request, a Continuation Notice or an Issuance Request.

"Credit Rating" means a statistical rating assigned by S&P and Moody's to Micro's long-term senior unsecured debt and either published or otherwise evidenced in writing by the applicable rating agency and made available to the Administrative Agent, including both "express" and "indicative" or "implied" (or equivalent) ratings.

"Default" means any Event of Default or any condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default.

"Disbursement Date" is defined in Section 3.2.2.

"Disclosure Schedule" means the Disclosure Schedule attached hereto as Schedule I, as the same may be amended, supplemented or otherwise modified from time to time by Micro with the consent of the Administrative Agent and the Required Lenders.

"Dollar" and the sign "\$" each means the lawful currency of the United States.

"Dollar Amount" at any date, means (a) with respect to an amount denominated in Dollars, such amount as at such date, and (b) with respect to an amount denominated in any other Available Currency, the amount of Dollars into which such Available Currency is convertible into Dollars as at such date and on the terms herein provided.

"Effective Date" is defined in Section 11.8.

"Effective Date Certificate" means a certificate duly completed and executed by an Authorized Person of Micro, substantially in the form of Exhibit F attached hereto.

"Eligible Assignee" means any Person that, on the date that it is to become a Lender under this Agreement, is (i) a Lender or (ii) any one of the following (in each case, with the prior written consent of the Administrative Agent, the Issuer and (so long as no Event of Default exists at that time) Micro, in each case such consent not to be unreasonably withheld or delayed (it being understood that (1) if an assignment or transfer to a Person described below results in a reduced rate of return to the Issuer or requires the Issuer to set aside capital in an amount greater than that which is required to be set aside for other Lenders participating in the Letter of Credit or the Issuer has a reasonable concern about the creditworthiness or reputation of the proposed assignee, then the failure to consent to such transfer by the Issuer shall be deemed reasonable and (2) in the case of an assignment or transfer to a bank or financial institution pursuant to clause (a) below to which Micro must consent, Micro may take into account, among other things, the creditworthiness of that bank or financial institution and the holding company, if any, by which it is owned):

(a) a bank or financial institution that at that time has (or is owned by a holding company that on a consolidated basis has) combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than \$250,000,000 (or its equivalent in foreign currency);

(b) a commercial bank that at that time (i) is organized under the laws of the United States or any State thereof, (ii) has outstanding unsecured indebtedness that is rated A- or better by S&P or A3 or better by Moody's (or an equivalent rating by another nationally recognized statistical rating agency of similar standing if such corporations are no longer in the business of rating unsecured indebtedness of entities engaged in such businesses) and (iii) has combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than \$250,000,000 (or its equivalent in foreign currency);

(c) a commercial bank that at that time (i) is organized under the laws of (A) any other country that is a member of the Organization for Economic Cooperation and Development or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow or any country that is a member of the European Community, or (B) political subdivision of any such country, (ii) has (unless Micro otherwise agrees) outstanding unsecured indebtedness that is rated A- or better by S&P or A3 or better by Moody's (or an equivalent rating by another nationally recognized statistical rating agency of similar standing if such corporations are no longer in the business of rating unsecured indebtedness of entities engaged in such businesses) and (iii) has combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than \$250,000,000 (or its equivalent in foreign currency);

(d) the central bank of any country that at that time (i) is a member of the Organization for Economic Cooperation and Development, (ii) has (unless Micro otherwise agrees) outstanding unsecured indebtedness that is rated A- or better by S&P or

A3 or better by Moody's (or an equivalent rating by another nationally recognized statistical rating agency of similar standing if such corporations are no longer in the business of rating unsecured indebtedness of entities engaged in such businesses) and (iii) has combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than \$250,000,000 (or its equivalent in foreign currency); or

(e) solely during the occurrence and continuance of an Event of Default, a finance company, insurance company, or other financial institution or fund (whether a corporation, partnership, or other entity) that at that time is engaged generally in making, purchasing, and otherwise investing in commercial loans in the ordinary course of its business;

so long as, in the case of any Person described in clauses (a) through (e) above, it must also at that time be (A) in respect of payments by Micro, entitled to receive payments hereunder free and clear of and without deduction for or on account of any United States federal income taxes, and (B) in respect of payments by Coordination Center, entitled to receive payments hereunder free and clear of and without any deduction for or on account of any income taxes imposed by The Kingdom of Belgium.

"EMU" means economic and monetary union as contemplated in the Treaty on European Union.

"EMU Legislation" means legislative measures of the European Council for the introduction of, changeover to, or operation of, a single or unified European currency (whether known as the euro or otherwise), being in part the implementation of the third stage of EMU.

"Encumbered Trade Receivables" means, at any date, the face amount of any item includable in "trade receivables" (or any substituted or replacement line item) that would be reflected on a consolidated balance sheet of Micro and its Consolidated Subsidiaries at such date that is subject to a Lien securing any indebtedness or otherwise arising in connection with a receivables securitization program.

"Environmental Laws" means any and all applicable statutes, laws, ordinances, codes, rules, regulations and binding and enforceable guidelines (including consent decrees and administrative orders binding on any Obligor or any of their respective Subsidiaries), in each case as now or hereafter in effect, relating to human health and safety, or the regulation or protection of the environment, or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or toxic or hazardous substances or wastes into the indoor or outdoor environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or toxic or hazardous substances or wastes issued (presently or in the future) by any national, federal, state, provincial, territorial, or local authority in any jurisdiction in which any Obligor or any of their respective Subsidiaries is conducting its business.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the rules and regulations promulgated

thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the F.R.S. Board, as in effect from time to time.

"Euro" means the single currency of Participating Member States of the European Union.

"Euro Unit" means a currency unit of the Euro.

"Event of Default" is defined in Section 9.1.

"Equity Issuance" means (a) any issuance or sale by Micro or any of its Consolidated Subsidiaries after the Effective Date of (i) any of its capital stock, (ii) any warrants or options exercisable in respect of its capital stock (other than any warrants or options issued to directors, officers or employees of Micro or any of its Consolidated Subsidiaries pursuant to employee benefit plans established in the ordinary course of business and any capital stock of Micro issued upon the exercise of such warrants or options) or (iii) any other security or instrument representing an equity interest (or the right to obtain any equity interest) in Micro or any of its Subsidiaries or (b) the receipt by Micro any of its Subsidiaries after the Effective Date of any capital contribution; provided that Equity Issuance shall not include (x) any such issuance or sale by any Subsidiary of Micro to Micro or any wholly owned Subsidiary of Micro or (y) any capital contribution by Micro or any wholly owned Subsidiary of Micro to any Subsidiary of Micro.

"FASB" means the Financial Accounting Standards Board.

"Fee Letter" means the letter agreement dated as of October 15, 2002, between Scotia Capital, ABN AMRO, Micro and Coordination Center, relating to certain fees to be paid in connection with this Agreement.

"Fiscal Period" means a fiscal period of Micro or any of its Subsidiaries, which shall be either a calendar quarter or an aggregate period comprised of three consecutive periods of four weeks and five weeks (or, on occasion, six weeks instead of five), currently commencing on or about each January 1, April 1, July 1 or October 1.

"Fiscal Year" means, with respect to any Person, the fiscal year of such Person. The term Fiscal Year, when used without reference to any Person, shall mean a Fiscal Year of Micro, which currently ends on the Saturday nearest December 31.

"Floor Plan Obligation" means, with respect to any Person, an obligation owed by such Person arising out of arrangements whereby a third party makes payments for the account of such Person directly or indirectly to a trade creditor of such Person in respect of Trade Payables of such Person.

"Floor Plan Support Obligation" means any obligation, contingent or otherwise, of any Person (the "Obligor") in favor of another Person in respect of Floor Plan Obligations held by the other Person that arise in connection with sales of goods or services by the Obligor or its Affiliates.

"Foreign Borrowers" means, collectively, (a) Coordination Center and (b) any Acceding Borrower that is not domiciled in the United States.

"Foreign Subsidiary" means any Subsidiary of Micro that is not domiciled in the United States.

"F.R.S. Board" is defined in Section 7.17.

"Funded Debt" means, with respect to any Person, the sum (without duplication) of (i) all Indebtedness of such Person, (ii) Consolidated Transferred Receivables and (iii) the aggregate amount of Total Reimbursement Obligations that are more than 3 days past due; provided that, for purposes of determining the "Applicable Margin" and the amount of the commitment fee pursuant to Section 4.3.2, the definition of Funded Debt used to determine the Leverage Ratio shall include, in lieu of clause (iii) above, all Letter of Credit Outstandings.

"GAAP" is defined in Section 1.4.

"Guaranties" means, collectively, (a) the Micro Guaranty and (b) each Additional Guaranty.

"Guarantors" means, collectively, Micro and each Additional Guarantor.

"Hazardous Material" means (a) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material or substance that is presently or hereafter becomes defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants," "pollutants," or terms of similar import within the meaning of any Environmental Law, or (b) any other chemical or other material or substance, exposure to which is presently or hereafter prohibited, limited or regulated under any Environmental Law.

"herein," "hereof," "hereto," "hereunder" and similar terms contained in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular Article, Section, clause, paragraph or provision of this Agreement or such other Loan Document.

"Impermissible Qualifications" means, relative to the opinion of certification of any independent public accountant engaged by Micro as to any financial statement of Micro and its Consolidated Subsidiaries, any qualification or exception to such opinion or certification:

(a) which is of a "going concern" or similar nature;

(b) which relates to the limited scope of examination of matters relevant to such financial statement; or

(c) which relates to the treatment or classification of any item in such financial statement and which, as a condition to its removal, would require an adjustment to such item the effect of which would be to cause Micro to be in default of any of its obligations under Section 8.2.3 or 8.2.8;

provided that (i) qualifications relating to pre-acquisition balance sheet accounts of Person(s) acquired by Micro or any of its Subsidiaries and (ii) statements of reliance in the auditor's opinion on another accounting firm (so long as such other accounting firm has a national reputation in the applicable country and such reliance does not pertain to any Borrower) shall not be deemed an Impermissible Qualification.

"including" and "include" mean including without limiting the generality of any description preceding such term.

"Indebtedness" of any Person means and includes the sum of the following (without duplication):

(a) all obligations of such Person for borrowed money, all obligations evidenced by bonds, debentures, notes, investment repurchase agreements or other similar instruments, and all securities issued by such Person providing for mandatory payments of money, whether or not contingent;

(b) all obligations of such Person pursuant to revolving credit agreements or similar arrangements to the extent then outstanding;

(c) all obligations of such Person to pay the deferred purchase price of property or services, except (i) trade accounts payable arising in the ordinary course of business, (ii) other accounts payable arising in the ordinary course of business in respect of such obligations the payment of which has been deferred for a period of 270 days or less, (iii) other accounts payable arising in the ordinary course of business none of which shall be, individually, in excess of \$200,000, and (iv) a lessee's obligations under leases of real or personal property not required to be capitalized under FASB Statement 13;

(d) all obligations of such Person as lessee under Capitalized Lease Liabilities or Synthetic Leases;

(e) all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities or property excluding any such sales or exchanges for a period of less than 45 days;

(f) all obligations, contingent or otherwise, with respect to the stated amount of letters of credit, whether or not drawn, issued for the account of such Person to support the Indebtedness of any Person other than Micro or a Subsidiary of Micro, and bankers' acceptances issued for the account of such Person;

(g) all Indebtedness of others secured by a Lien of any kind on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of any Indebtedness attributed to any Person pursuant to this clause (g) shall be limited, in each case, to the lesser of (i) the fair market value of the assets of such Person subject to such Lien and (ii) the amount of the other Person's Indebtedness secured by such Lien; and

(h) all guarantees, endorsements and other Contingent Liabilities of such Person in respect of any of the foregoing;

provided that it is understood and agreed that the following are not "Indebtedness":

(i) obligations to pay the deferred purchase price for the acquisition of any business (whether by way of merger, sale of stock or assets or otherwise), to the extent that such obligations are contingent upon attaining performance criteria such as earnings and such criteria shall not have been achieved;

(ii) obligations to repurchase securities issued to employees pursuant to any Plan or other contract or arrangement relating to employment upon the termination of their employment or other events;

(iii) obligations to match contributions of employees under any Plan;

(iv) guarantees of any Obligor or any of their respective Subsidiaries that are guarantees of performance, reclamation or similar bonds or, in lieu of such bonds, letters of credit used for such purposes issued in the ordinary course of business for the benefit of any Subsidiary of Micro, which would not be included on the consolidated financial statements of any Obligor; and

(v) Trade Payables.

"Indemnified Liabilities" is defined in Section 11.4.

"Indemnified Parties" is defined in Section 11.4.

"Ineligible Currency" means, with respect to any Available Currency (other than Dollars), a determination by the Administrative Agent that such currency has ceased to be (a) freely convertible into Dollars or (b) a currency for which there is an active foreign exchange and deposit market in London or New York City.

"Initial Borrowers" is defined in the preamble.

"Intangible Assets" means, with respect to any Person, that portion of the book value of the assets of such Person which would be treated as intangibles under GAAP, including all items such as goodwill, trademarks, trade names, brands, trade secrets, customer lists, copyrights, patents, licenses, franchise conversion rights and rights with respect to any of the foregoing and all unamortized debt or equity discount and expenses.

"Interest Period" means, for any Revolving Loan, the period beginning on (and including) the date on which such Revolving Loan is made, continued or converted and ending on (but excluding) the last day of the period selected by the relevant Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one week (it being understood that such one-week Interest Period may not be selected by the Borrowers collectively more than twice in any calendar month) or one, three, or six months from (and including) the date of such Revolving Loan, ending on (but excluding), in the case of a one-week Interest

Period, the corresponding day of the following week and, in each other case, the day which numerically corresponds to such date (or, if such month has no numerically corresponding day on the last Business Day of such month), as the relevant Borrower may select in its relevant notice pursuant to Section 3.1 or 4.2.3; provided that:

(a) the Borrowers shall not be permitted to select Interest Periods for Revolving Loans to be in effect at any one time which have expiration dates occurring on more than 10 different dates in the aggregate;

(b) Interest Periods commencing on the same date for Revolving Loans comprising part of the same Borrowing shall be of the same duration;

(c) if such Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day (unless (except in the case of a one-week Interest Period), if such Interest Period applies to a Revolving Loan, such next following Business Day is the first Business Day of a calendar month, in which case such Interest Period shall end on the Business Day next preceding such numerically corresponding day); and

(d) no Interest Period for any Revolving Loan may end later than the Commitment Termination Date.

"Intra-Group Agreement" means the Intra-Group Agreement, substantially in the form of Exhibit G attached hereto, to be duly executed and delivered if and when required by Section 8.1.11 by Authorized Persons of each Borrower that is a Guarantor, as amended, supplemented, restated or otherwise modified from time to time.

"Issuance Request" means an issuance request for Letters of Credit duly completed and executed by an Authorized Person of the relevant Borrower, substantially in the form of Exhibit C attached hereto.

"Issuer" means Scotia Capital, in its capacity as issuer of the Letters of Credit. At the request of the Agents, another Lender or an Affiliate of Scotia Capital may (but is not otherwise obligated to) issue one or more Letters of Credit hereunder.

"Joint Lead Arrangers" means Scotia Capital and ABN AMRO Incorporated.

"Lenders" is defined in the preamble.

"Lender Assignment Agreement" means a Lender Assignment Agreement substantially in the form of Exhibit J attached hereto.

"Lender Party" means any of the Lenders, the Agents, the Issuers, and (for purposes only of Section 11.4) the Joint Lead Arrangers.

"Lending Office" means, for any Lender (a) for Revolving Loans to Micro, its Lending Office for Loans to Micro designated beside its signature below, designated in a Lender Assignment Agreement to which it is a party, or designated in a notice to the Administrative

Agent and Micro from time to time and at any time and (b) for other Revolving Loans, its Lending Office for "Other Loans" designated beside its signature below, designated in a Lender Assignment Agreement to which it is a party, or designated in a notice to the Administrative Agent and Micro from time to time and at any time.

"Letter of Credit Commitment" means, with respect to any Issuer of Letters of Credit, such Issuer's obligations to issue Letters of Credit pursuant to Section 3.2 and, with respect to each of the other Lenders, the obligations of each such Lender to participate in Letters of Credit pursuant to such Section 3.2.

"Letter of Credit Limit" means, on any date, a maximum amount (as such amount may be reduced from time to time pursuant to Section 2.2) equal to the Total Credit Commitment Amount.

"Letter of Credit Outstandings" means, on any date, the sum (without duplication) of the Dollar Amounts of (a) the then aggregate amount which is undrawn and available under all Letters of Credit issued and outstanding (assuming that all conditions for drawing have been satisfied), plus (b) the then aggregate amount of all unpaid and outstanding Reimbursement Obligations.

"Letters of Credit" means all letters of credit issued and outstanding under this Agreement.

"Leverage Ratio" means the ratio of (a) Consolidated Funded Debt on the last day of any Fiscal Period to (b) Consolidated EBITDA for the period of four Fiscal Periods ending on the last day of such Fiscal Period.

"LIBO Rate" means, for any Interest Period for a Borrowing, an annual interest rate (rounded upward to four decimal places) determined by the Administrative Agent to be either:

(a) the London interbank offered rate for deposits, in the currency in which that Borrowing is denominated under this Agreement, at approximately 11:00 a.m., London time, two Business Days before the first day (or, solely in the case of Borrowings denominated in Sterling, on the first day) of that Interest Period for a term comparable to that Interest Period, that appears on Telerate Pages 3740 or 3750, as applicable; or

(b) if no such display rate is then available, the average of the rates at which deposits of the currency of the relevant Borrowing in immediately available funds are offered to each Reference Lender's principal office in the London interbank market at or about 11:00 a.m., London time, two Business Days prior to (or the Business Day that, for Borrowings denominated in Sterling, is) the beginning of such Interest Period for delivery on the first day of such Interest Period, and in an amount approximately equal to the amount of each such Reference Lender's Revolving Loan that is part of that Borrowing and for a period approximately equal to such Interest Period.

"LIBOR Reserve Percentage" means, for any Lender, relative to any Interest Period for Revolving Loans, the reserve percentage (expressed as a decimal) equal to the maximum aggregate reserve requirements (including all basic, emergency, supplement, marginal and other

reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) specified under regulations issued from time to time by the F.R.S. Board and then applicable to assets or liabilities consisting of and including Eurocurrency Liabilities having a term approximately equal or comparable to such Interest Period.

"Lien" means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against, valid claim on or interest in property to secure payment of a debt or performance of an obligation or other priority or preferential arrangement of any kind or nature whatsoever (including, without limitation, (a) the lien or retained security title of a conditional vendor and (b) under any agreement for the sale of Trade Accounts Receivable (or an undivided interest in a specified amount of such Trade Accounts Receivable), the interest of the purchaser (or any assignee of such purchaser which has financed the relevant purchase) in a percentage of receivables of the seller not so sold, held by the purchaser (or such assignee) as a reserve for (i) interest rate protection in the event of a liquidation of the receivables sold, (ii) expenses that would be incurred upon a liquidation of the receivables sold, (iii) losses that might be incurred in the event the amount actually collected from the receivables sold is less than the amount represented in the relevant receivables purchase agreement as collectible, or (iv) any similar purpose (but excluding the interest of a trust in such receivables to the extent that the beneficiary of such trust is Micro or a Subsidiary of Micro).

"Loan Document" means this Agreement, each Revolving Note (if any), each Credit Extension Request, each Letter of Credit, the Intra-Group Agreement, each Guaranty, the most recently delivered Compliance Certificate (specifically excluding any other Compliance Certificate previously delivered), any Accession Request and Acknowledgment, and any other agreement, document, or instrument (excluding any documents delivered solely for the purpose of satisfaction disclosure requirements or requests for information) required in connection with this Agreement or the making or maintaining of any Credit Extension and delivered by an Authorized Person.

"Mandatory Costs" means the percentage rate per annum calculated by the Administrative Agent in accordance with Schedule II.

"Margin Stock" means "margin stock," as such term is defined and used in Regulation U.

"Material Adverse Effect" means a material adverse effect on the ability (whether financial, legal or otherwise) of the Obligors to comply with their obligations (future or otherwise) under this Agreement.

"Material Asset Acquisition" (a) means the purchase or other acquisition (in one transaction or a series of related transactions) from any Person of property or assets, the aggregate purchase price of which (calculated in Dollars) paid in cash or property (other than property consisting of equity shares or interests or other equivalents of corporate stock of, or partnership or other ownership interests in, any Obligor), equals or exceeds 25% of the sum (calculated without giving effect to such purchase or acquisition) of (i) Consolidated Funded Debt (determined as at the end of the then most recently ended Fiscal Period), plus (ii) Consolidated Stockholders' Equity (determined as at the end of the then most recently ended Fiscal Period), plus (iii) any increase thereof attributable to any equity offerings or issuances of

capital stock occurring subsequent to the end of such Fiscal Period and before any such purchase or acquisition, but (b) does not mean a purchase or acquisition of property or assets of the character described in and permitted under Section 8.2.9(c) or 8.2.9(d).

"Material Subsidiary" means:

(a) with respect to any Subsidiary of Micro as of the date of this Agreement, a Subsidiary of Micro that, as of any date of determination, either (i) on an average over the three most recently preceding Fiscal Years contributed at least 5% to Consolidated Net Income or (ii) on an average at the end of the three most recently preceding Fiscal Years owned assets constituting at least 5% of Consolidated Assets; and

(b) with respect to any Subsidiary of Micro organized or acquired subsequent to the date of this Agreement, a Subsidiary of Micro that as of:

(i) the date it becomes a Subsidiary of Micro, would have owned (on a pro forma basis if such Subsidiary had been a Subsidiary of Micro at the end of the preceding Fiscal Year) assets constituting at least 5% of Consolidated Assets at the end of the Fiscal Year immediately prior to the Fiscal Year in which it is organized or acquired; or

(ii) any date of determination thereafter, either (A) on an average over the three most recently preceding Fiscal Years (or, if less, since the date such Person became a Subsidiary of Micro) contributed at least 5% to Consolidated Net Income or (B) on an average at the end of the three (or, if less, such number of Fiscal Year-ends as have occurred since such Person became a Subsidiary of Micro) most recently preceding Fiscal Years owned assets constituting at least 5% of Consolidated Assets;

provided that Ingram Funding Inc. and any other special purpose financing vehicle shall not be Material Subsidiaries.

"Maturity" of any of the Obligations means the earliest to occur of:

(a) the date on which such Obligations expressly become due and payable pursuant hereto or any other Loan Document but in no event beyond the Commitment Termination Date; and

(b) the date on which such Obligations become due and payable pursuant to Section 9.2, 9.3, or 9.4.

"Micro" is defined in the preamble.

"Micro Guaranty" means a guaranty, substantially in the form of Exhibit H attached hereto, duly executed and delivered by an Authorized Person of Micro, as amended, supplemented, restated or otherwise modified from time to time.

"Moody's" means Moody's Investors Service, Inc.

"National Currency Unit" means a unit of currency (other than a Euro Unit) of a Participating Member State.

"Net Interest Expense" means, for any applicable period, the aggregate interest expense of Micro and its Consolidated Subsidiaries (including imputed interest on Capitalized Lease Liabilities) deducted in determining Consolidated Net Income for such period, net of interest income of Micro and its Consolidated Subsidiaries included in determining Consolidated Net Income for such applicable period.

"Non-Exempt U.S. Person" means any Lender Party who is a "United States person" within the meaning of Section 7701(a)(30) of the Code other than a Lender Party who is an exempt recipient (including a corporation or a financial institution) as determined under the provisions of Treas. Reg. Section 1.6049-4(c)(1)(ii) unless the communications with such Lender Party are mailed by Micro or the Administrative Agent to an address in a foreign country.

"Obligations" means, individually and collectively (a) the Revolving Loans, (b) all Letter of Credit Outstandings, and (c) all other indebtedness, liabilities, obligations, covenants and duties of any Borrower owing to the Agents or the Lenders of every kind, nature and description, under or in respect of this Agreement or any of the other Loan Documents including, without limitation, any fees, whether direct or indirect, absolute or contingent, due or not due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note.

"Obligors" means, collectively, the Borrowers and the Guarantors.

"Organic Documents" means, relative to any Obligor, any governmental filing or proclamation pursuant to which such Person shall have been created and shall continue in existence (including a charter or certificate or articles of incorporation or organization, and, with respect to Coordination Center, the Royal Decree) and its by-laws (or, if applicable, partnership or operating agreement) and all material shareholder agreements, voting trusts and similar arrangements to which such Obligor is a party that are applicable to the voting of any of its authorized shares of capital stock (or, if applicable, other ownership interests therein).

"Outstanding Credit Extensions" means, relative to any Lender at any date and without duplication, the sum of the Dollar Amounts of (a) the aggregate principal amount of all outstanding Revolving Loans of such Lender at such date, plus (b) such Lender's Percentage of the Letter of Credit Outstandings.

"Participant" is defined in Section 11.11.2.

"Participating Member State" means each such state so described in any EMU Legislation.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Pension Plan" means a "pension plan," as such term is defined in Section 3(2) of ERISA, which is subject to Title IV of ERISA (other than a multiemployer plan as defined in Section 4001(3) of ERISA), and to which any Obligor or any corporation, trade or business that

is, along with Obligor, a member of a Controlled Group, may have liability, including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor within the meaning of Section 4069 of ERISA.

"Percentage" of any Lender means in the case of (a) each Lender which is a signatory to this Agreement, the percentage set forth opposite such Lender's signature hereto under the caption "Percentage," subject to any modification necessary to give effect to any sale, assignment or transfer made pursuant to Section 11.11.1, or (b) any Transferee Lender, effective upon the occurrence of the relevant purchase by, or assignment to, such Transferee Lender, the portion of the Percentage of the selling, assigning or transferring Lender allocated to such Transferee Lender.

"Person" means any natural person, company, partnership, firm, limited liability company or partnership, association, trust, government, government agency or any other entity, whether acting in an individual, fiduciary or other capacity.

"Plan" means any Pension Plan or Welfare Plan.

"Principal Financial Center" means, in the case of any Available Currency, the principal financial center where such Available Currency is cleared and settled, as determined by the Administrative Agent.

"Quarterly Payment Date" means the last day of March, June, September and December of each calendar year or, if any such day is not a Business Day, the next succeeding Business Day.

"Reference Lenders" means Scotia Capital and ABN AMRO Bank N.V.; provided that, in relation to Mandatory Costs, "Reference Lenders" shall refer to the principal London office of Scotia Capital and ABN AMRO Bank N.V.

"Reference Rate" means, at any time, an annual interest rate equal to the sum of (a) the Applicable Margin for Revolving Loans at that time (unless already included in the rate determined under clause (b) following) plus (b) the rate determined by the Administrative Agent to be the higher of either:

(i) the rate on the relevant base amount or overdue amount (before the date due, if principal), as the case may be and to the extent applicable (the "relevant amount"); or

(ii) the rate that would have been payable if the relevant amount constituted a Revolving Loan in the currency of the relevant amount for successive interest periods of such duration as the Administrative Agent may determine (each a "designated interest period").

Such rate in clause (b) above shall be determined on each Business Day or the first day of, or two Business Days before the first day of, the designated interest period, as appropriate, and otherwise determined in accordance with the definition of LIBO Rate or, if not available,

determined by reference to the cost of funds to the Administrative Agent from whatever source it reasonably selects.

"Regulation U" is defined in Section 7.17.

"Regulation X" is defined in Section 7.17.

"Regulatory Change" means any change after the date hereof in any (or the promulgation after the date hereof of any new):

(a) law applicable to any class of banks (of which any Lender Party is a member) issued by (i) any competent authority in any country or jurisdiction, or (ii) any competent international or supra-national authority; or

(b) regulation, interpretation, directive or request (whether or not having the force of law) applicable to any class of banks (of which any Lender Party is a member) of any court, central bank or governmental authority or agency charged with the interpretation or administration of any law referred to in clause (a) of this definition or of any fiscal, monetary or other authority having jurisdiction over any Lender Party.

"Reimbursement Obligation" is defined in Section 3.2.3.

"Release" means a "release," as such term is defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended and as in effect from time to time (42 United States Code Section 9601 et seq.), and any rules and regulations promulgated thereunder.

"Required Currency" is defined in Section 5.8.1(a).

"Required Lenders" means (a) at any time when the Commitments of the Lenders have expired or been terminated, those Lenders holding at least 66-2/3% of the total Outstanding Credit Extensions of all of the Lenders at that time, and (b) at any other time, those Lenders whose Percentages total at least 66-2/3% at that time.

"Restricted Payment" is defined in Section 8.2.4(a).

"Revolving Loans" is defined in clause (a) of Section 2.1.

"Revolving Note" means a promissory note of a Borrower, payable to a Lender that has requested it under Section 4.1, substantially in the form of Exhibit A attached hereto (as such promissory note may be amended, endorsed, or otherwise modified from time to time), evidencing the aggregate Indebtedness of that Borrower to such Lender resulting from outstanding Revolving Loans, together with all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

"Royal Decree" means the Royal Decree of The Kingdom of Belgium recognizing Coordination Center as a coordination center under Belgian law, as the same may from time to

time be amended, supplemented or otherwise modified by any new Royal Decree relating to the recognition of the Coordination Center as a coordination center under Belgium law.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

"Scotia Capital" is defined in the preamble.

"Securitization Default" is defined in Section 9.1.11.

"Securitization Financing Amount" means, in respect of any Securitization Default, the principal equivalent of the outstanding amount of financing being provided to Micro and its Consolidated Subsidiaries under the related Trade Accounts Receivable securitization program, determined in accordance with general accepted financial practices.

"Senior Consolidated Funded Debt" means, as of any date of determination, the total of all Consolidated Funded Debt of Micro and its Consolidated Subsidiaries outstanding on such date that ranks pari passu with the Obligations.

"Senior Leverage Ratio" means the ratio of (a) Senior Consolidated Funded Debt on the last day of any Fiscal Period to (b) Consolidated EBITDA for the period of four Fiscal Periods ending on the last day of such Fiscal Period.

"Stated Amount" for any Letter of Credit on any day means the amount which is undrawn and available under such Letter of Credit on such day (after giving effect to any drawings thereon on such day).

"Stated Expiry Date" is defined in Section 3.2.

"Sterling" means the lawful currency of the United Kingdom.

"Subject Lender" is defined in Section 5.12.

"Subsidiary" means, with respect to any Person, any corporation, company, partnership or other entity of which more than 50% of the outstanding shares or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors of, or other persons performing similar functions for, such corporation, company, partnership or other entity (irrespective of whether at the time shares or other ownership interests of any other class or classes of such corporation, company, partnership or other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person.

"Syndication Agent" is defined in the preamble and includes each other Person as shall have subsequently been appointed as the successor Syndication Agent pursuant to Section 10.4.

"Synthetic Lease" means, as applied to any Person, any lease (including leases that may be terminated by the lessee at any time) of any property (whether real, personal or mixed) (a) that

is not a capital lease in accordance with GAAP and (b) in respect of which the lessee retains or obtains ownership of the property so leased for federal income tax purposes, other than any such lease under which that Person is the lessor.

"Tax Payment" is defined in Section 5.7.

"Tax Refund" is defined in Section 5.7.

"Taxes" is defined in Section 5.7.

"Total Credit Commitment Amount" means, at any time, \$150,000,000, as such amount may be reduced from time to time pursuant to Section 2.2.

"Total Indebtedness of Subsidiaries" means, at any date, the aggregate of all Indebtedness on such date of all the Subsidiaries of Micro, without duplication and after eliminating all offsetting debits and credits between each of such Subsidiaries or between such a Subsidiary and Micro and all other items required to be eliminated in accordance with GAAP, excluding (a) all Indebtedness of any Consolidated Subsidiary of Micro outstanding on the Effective Date, or incurred pursuant to any commitment or line of credit in its favor in effect on Effective Date, and any renewals or replacements thereof, so long as such renewals or replacements do not increase the amount of such Indebtedness or such commitments or lines of credit and (b) any Indebtedness of Ingram Funding Inc. or any other special purpose financing vehicle incurred in connection with their purchase, directly or indirectly, from Micro or any of Micro's other Consolidated Subsidiaries, of Trade Accounts Receivable or interests therein.

"Total Reimbursement Obligations" means, at any date, the sum of (a) all Reimbursement Obligations of each Borrower and (b) any other obligations of Micro or any of its Subsidiaries to reimburse any issuer with respect to a disbursement under a letter of credit issued on behalf of Micro or any such Subsidiary, in each case that have ceased to be contingent upon a drawing under the related letter of credit.

"Trade Accounts Receivable" means, with respect to any Person, all rights of such Person to the payment of money arising out of any sale, lease or other disposition of goods or rendition of services by such Person.

"Trade Payables" means, with respect to any Person, (a) any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services or (b) such Person's Floor Plan Obligations and Floor Plan Support Obligations.

"Transferee Lender" is defined in Section 11.11.1.

"Unencumbered Trade Receivables" means, at any date, the face amount of any item includable in "trade receivables" (or any substituted or replacement line item) that would be reflected on a consolidated balance sheet of Micro and its Consolidated Subsidiaries at such date minus Encumbered Trade Receivables at such date.

"United Kingdom" means The United Kingdom of Great Britain and Northern Ireland.

"United States" or "U.S." means the United States of America, its fifty States, and the District of Columbia.

"Voting Stock" means, (a) with respect to a corporation, the stock of such corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect members of the board of directors (or other governing body) of such corporation, (b) with respect to any partnership, the partnership interests in such partnership the owners of which are entitled to manage the affairs of the partnership or vote in connection with the management of the affairs of the partnership or the designation of another Person as the Person entitled to manage the affairs of the partnership, and (c) with respect to any limited liability company, the membership interests in such limited liability company the owners of which are entitled to manage the affairs of such limited liability company or entitled to elect managers of such limited liability company (it being understood that, in the case of any partnership or limited liability company, "shares" of Voting Stock shall refer to the partnership interests or membership interests therein, as the case may be).

"Welfare Plan" means a "welfare plan," as such term is defined in Section 3(1) of ERISA.

SECTION 1.2 USE OF DEFINED TERMS. Unless otherwise defined or the context otherwise requires, terms for which meanings are provided in this Agreement shall have such meaning as when used in the Disclosure Schedule and in each Credit Extension Request, each other Loan Document, and each notice and other communication delivered from time to time in connection with this Agreement or any other Loan Document.

SECTION 1.3 CROSS-REFERENCES. Unless otherwise specified, references in this Agreement and in each other Loan Document to any Article, Section, clause or definition are references to such clause or definition of this Agreement or such other Loan Document, as the case may be, and, unless otherwise specified, references in any Article, Section, clause or definition to any section are references to such section of such Article, Section, clause or definition.

SECTION 1.4 ACCOUNTING AND FINANCIAL DETERMINATIONS.

(a) Unless otherwise specified, all accounting terms used herein or in any other Loan Document shall be interpreted, and all accounting determinations and computations hereunder or thereunder (including under Section 8.2.3) shall be made, in accordance with those U.S. generally accepted accounting principles ("GAAP") as applied in the preparation of the financial statements of Micro and its Consolidated Subsidiaries delivered pursuant to clause (a) of Section 6.1.4; provided that the financial statements required to be delivered pursuant to clauses (a) and (b) of Section 8.1.1 shall be prepared in accordance with GAAP as in effect from time to time and the quarterly financial statements required to be delivered pursuant to clause (b) of Section 8.1.1 are not required to contain footnote disclosures required by GAAP and shall be subject to ordinary year-end adjustments.

(b) If, after the date hereof, there shall be any change to Micro's Fiscal Year, or any modification in GAAP used in the preparation of the financial statements delivered pursuant to clause (a) of Section 6.1.4 (whether such modification is adopted or imposed by FASB, the American Institute of Certified Public Accountants or any other professional body) which changes result in a change in the method of calculation of financial covenants, standards or terms found in this Agreement, the parties hereto agree promptly to enter into negotiations in order to amend such financial covenants, standards or terms so as to reflect equitably such changes, with the desired result that the evaluations of Micro's financial condition shall be the same after such changes as if such changes had not been made; provided that until the parties hereto have reached a definitive agreement on such amendments, Micro's financial condition shall continue to be evaluated on the same principles as those used in the preparation of the financial statements delivered pursuant to clause (a) of Section 6.1.4.

SECTION 1.5 CALCULATIONS. All calculations made for purposes of this Agreement, each other Loan Document, and the transactions contemplated by them shall be made to two decimal places except as otherwise specifically stated in this Agreement or any other Loan Document.

SECTION 1.6 ROUND AMOUNTS. Unless otherwise specifically stated in this Agreement or any other Loan Document, each requirement that Credit Extensions, repayments, and reductions in Commitments be in certain Dollar minimums and integral multiples shall, in respect of dealings in another Available Currency, be deemed to be rounded amounts in that other Available Currency that approximate those Dollar minimums and multiples.

ARTICLE II

COMMITMENTS, ETC.

SECTION 2.1 COMMITMENTS. On the terms and subject to the conditions of this Agreement (including Article VI), each Lender severally agrees that it will, from time to time on any Business Day occurring prior to the Commitment Termination Date:

(a) make loans in Available Currencies ("Revolving Loans") to any Borrower equal to such Lender's Percentage of the aggregate amount of the Borrowing to be made on such Business Day, all in accordance with Section 3.1; provided that no Lender shall be required to make any Revolving Loan if, after giving effect thereto:

(i) such Lender's Outstanding Credit Extensions would exceed its Credit Commitment Amount; or

(ii) the aggregate Outstanding Credit Extensions of all the Lenders would exceed the then Total Credit Commitment Amount; and

(b) purchase participation interests in Available Currencies equal to its Percentage in each Letter of Credit issued upon the application of any Borrower pursuant to Section 3.2; provided that no Issuer shall issue a Letter of Credit if, after giving effect thereto:

(i) the aggregate Letter of Credit Outstandings would exceed the then Letter of Credit Limit; or

(ii) the aggregate Outstanding Credit Extensions of all the Lenders would exceed the then Total Credit Commitment Amount.

On and subject to the conditions hereof, the Borrowers may from time to time borrow, prepay and reborrow Revolving Loans and may apply for, extinguish or reimburse drawings made under and re-apply for Letters of Credit. For purposes of this Section 2.1, the Dollar Amount on any date of any Credit Extension denominated in an Available Currency (other than Dollars) shall be calculated based upon the spot rate at which Dollars are offered on such day for such Available Currency which appears on Telerate Page 261 at approximately 11:00 a.m., London time, (and if such spot rate is not available on Telerate Page 261 as of such time, such spot rate as quoted by Scotia Capital, in London at approximately 11:00 a.m., London time).

SECTION 2.2 REDUCTIONS OF THE COMMITMENT AMOUNTS. Micro may, from time to time on any Business Day, voluntarily reduce the Total Credit Commitment Amount; provided that:

(a) All such reductions shall require at least three and not more than five Business Days' prior notice to the Administrative Agent and shall be permanent, and any partial reduction thereof shall be in a minimum amount of \$5,000,000 and in an integral multiple of \$1,000,000 (or, if less, in an amount equal to the Total Credit Commitment Amount at such time);

(b) Micro shall not voluntarily reduce the Total Credit Commitment Amount pursuant to this section to an amount which, on the date of proposed reduction, is less than the aggregate Outstanding Credit Extensions of all the Lenders; and

(c) Once so reduced, the Total Commitment Amount may not be increased.

SECTION 2.3 INELIGIBLE CURRENCIES. Notwithstanding any other provision in this Agreement, if, at any time before the Commitment Termination Date, the Administrative Agent determines that an Available Currency is an Ineligible Currency, then (a) the Administrative Agent may (in its sole discretion) at any time so notify the relevant Borrower of any Borrowing denominated in that Ineligible Currency, and (b) the Commitments of the Lenders to make Revolving Loans in that Available Currency shall be suspended unless and until the Administrative Agent determines that such Available Currency is no longer an Ineligible Currency. Promptly after receiving that notice and, in any event, within five Business Days of receiving the same, that Borrower will notify the Administrative Agent and the Lenders as to what Available Currency it desires that Borrowing to be converted into and promptly thereafter the relevant Lenders shall so convert that Borrowing on the last day of its Interest Period. If the relevant Borrower fails to select another Available Currency as provided in the preceding sentence, then that other Available Currency shall be selected by the Administrative Agent. The conversion shall be effected at the relevant spot rate at which the Ineligible Currency is offered on that last day for the selected Available Currency that appears on Telerate Page 261 at approximately 11:00 a.m., London time, (and if such spot rate is not available on Telerate

Page 261 as of that time, the spot rate as quoted by Scotia Capital in London at approximately 11:00 a.m., London time) or, if that spot rate shall not exist, such other rate of exchange as the Administrative Agent shall reasonably determine.

ARTICLE III

PROCEDURES FOR CREDIT EXTENSIONS

SECTION 3.1 BORROWING PROCEDURE FOR REVOLVING LOANS.

(a) On any Business Day occurring on or prior to the Commitment Termination Date, any Borrower may from time to time irrevocably request, by delivering on or prior to 1:00 p.m., Applicable Time, on such Business Day a Borrowing Request to the Administrative Agent not less than three nor more than five Business Days before the date of the proposed Borrowing, that a Borrowing be made in a minimum amount of \$5,000,000 and an integral multiple of \$1,000,000, or if less, in the unused amount of the Total Credit Commitment Amount. Upon the receipt of each Borrowing Request, the Administrative Agent shall give prompt notice thereof to each Lender on the same day such Borrowing Request is received. On the terms and subject to the conditions of this Agreement, each Borrowing shall be made on the Business Day specified in such Borrowing Request. On or before 2:30 p.m., Applicable Time, on such Business Day, each Lender shall deposit with the Administrative Agent (to an account specified by the Administrative Agent to each Lender from time to time) same day funds in an amount equal to such Lender's Percentage of the requested Borrowing.

(b) To the extent funds are received from the Lenders (except as otherwise provided in Section 10.2), the Administrative Agent shall make such funds available to the relevant Borrower by wire transfer of same day funds to the accounts such Borrower shall have specified in its Borrowing Request. No Lender's obligation to make any Revolving Loan shall be affected by any other Lender's failure to make any Revolving Loan.

SECTION 3.2 LETTER OF CREDIT ISSUANCE PROCEDURES. By delivering to the Administrative Agent an Issuance Request on or before 1:00 p.m., Applicable Time, on any Business Day occurring prior to the Commitment Termination Date, any Borrower may from time to time request that an Issuer issue a Letter of Credit. Each such request shall be made on not less than two Business Days' notice (or such shorter period as may be agreed to by the Administrative Agent), and not less than 30 days prior to the Commitment Termination Date. Upon receipt of an Issuance Request, the Administrative Agent shall promptly on the same day notify the applicable Issuer (if other than Scotia Capital) and each Lender thereof. Each Letter of Credit shall by its terms be denominated in an Available Currency and be stated to expire (whether originally or after giving effect to any extension) on the earlier of (its "Stated Expiry Date") (i) (unless otherwise agreed to by the Issuer) one year from the date of issuance thereof or (ii) the Commitment Termination Date. The relevant Borrower and the relevant Issuer may amend or modify any issued Letter of Credit upon written notice to the Administrative Agent only; provided that (A) any amendment constituting an extension of such Letter of Credit's Stated Expiry Date shall comply with the provisions of the immediately preceding sentence and

may be made only if the Commitment Termination Date has not occurred and (B) any amendment constituting an increase in the Stated Amount of such Letter of Credit shall be deemed a request for the issuance of a new Letter of Credit and shall comply with the foregoing provisions of this paragraph. Upon satisfaction of the terms and conditions hereunder, the relevant Issuer will issue each Letter of Credit to be issued by it and will make available to the beneficiary thereof the original of such Letter of Credit.

SECTION 3.2.1 OTHER LENDERS' PARTICIPATION. Automatically, and without further action, upon the issuance of each Letter of Credit, each Lender (other than the Issuer of such Letter of Credit) shall be deemed to have irrevocably purchased from the relevant Issuer, to the extent of such Lender's Percentage, a participation interest in such Letter of Credit (including any Reimbursement Obligation and any other Contingent Liability with respect thereto), and such Lender shall, to the extent of its Percentage, be responsible for reimbursing promptly (and in any event within one Business Day after receipt of demand for payment from the Issuer, together with accrued interest from the day of such demand) the relevant Issuer for any Reimbursement Obligation which has not been reimbursed in accordance with Section 3.2.3. In addition, such Lender shall, to the extent of its Percentage, be entitled to receive a ratable portion of the Letter of Credit participation fee payable pursuant to clause (a) of Section 4.3.3 with respect to each Letter of Credit and a ratable portion of any interest payable pursuant to Sections 3.2.2 and 4.2.

SECTION 3.2.2 DISBURSEMENTS. Subject to the terms and provisions of each Letter of Credit and this Agreement, upon presentment under any Letter of Credit to the Issuer thereof for payment, such Issuer shall make such payment to the beneficiary (or its designee) of such Letter of Credit on the date designated for such payment (the "Disbursement Date"). Such Issuer will promptly notify the relevant Borrower and each of the Lenders of the presentment for payment of any such Letter of Credit, together with notice of the Disbursement Date thereof. Prior to 12:00 noon, Applicable Time, on the next Business Day following the Disbursement Date, the relevant Borrower will reimburse the Administrative Agent, for the account of such Issuer, for all amounts disbursed under such Letter of Credit, together with all interest accrued thereon since the Disbursement Date. To the extent the Administrative Agent does not receive payment in full, on behalf of the relevant Issuer on the Disbursement Date, the relevant Borrower's Reimbursement Obligation shall accrue interest, payable on demand, at an annual rate equal to the Reference Rate through the first Business Day following the Disbursement Date and equal to the sum of the Reference Rate plus 0.50% thereafter. In the event the relevant Borrower fails to notify the Administrative Agent and the relevant Issuer prior to 1:00 p.m., Applicable Time, on the Disbursement Date that the relevant Borrower intends to pay the Administrative Agent, for the account of such Issuer, for the amount of such drawing with funds other than proceeds of Revolving Loans, or the Administrative Agent does not receive such reimbursement payment from the relevant Borrower prior to 1:00 p.m., Applicable Time, on the Disbursement Date (or if the relevant Issuer must for any reason return or disgorge such reimbursement), the Administrative Agent shall promptly notify the Lenders, and the relevant Borrower shall be deemed to have given a timely Borrowing Request as of the Disbursement Date for Revolving Loans in an aggregate principal amount equal to such Reimbursement Obligation and the Lenders (other than the relevant Issuer) shall, on the terms and subject to the conditions of this Agreement (including, without limitation, Sections 6.1 and 6.2), make Revolving Loans in the amount of such Reimbursement Obligation as provided in Section 3.1; provided that for the

purpose of determining the availability of any unused Total Credit Commitment Amount immediately prior to giving effect to the application of the proceeds of such Revolving Loans, such Reimbursement Obligation shall be deemed not to be outstanding at such time. In the event that the conditions precedent to any Revolving Loans deemed requested by the relevant Borrower as provided in the preceding sentence shall not be satisfied at the time of such deemed request, each Lender (including the relevant Issuer) shall pay to the Administrative Agent, as funding of its participation interest pursuant to Section 3.2.1 in the related Letter of Credit, its Percentage of the related Reimbursement Obligation, and the Administrative Agent shall promptly pay to the relevant Issuer the amounts so received by it from the Lenders. If a Lender makes a payment pursuant to this subsection to reimburse an Issuer in respect of any Reimbursement Obligation (other than by funding Revolving Loans as contemplated above), (i) such payment will not constitute a Revolving Loan and will not relieve the relevant Borrower of its Reimbursement Obligation and (ii) such Lender will be subrogated to its pro rata share of the relevant Issuer's claim against such Borrower for payment of such Reimbursement Obligation.

SECTION 3.2.3 REIMBURSEMENT. The obligation (the "Reimbursement Obligation") of the relevant Borrower under Section 3.2.2 to reimburse the relevant Issuer with respect to each disbursement under a Letter of Credit (including interest thereon), and, upon the failure of the relevant Borrower to reimburse such Issuer, the obligation of each Lender to reimburse such Issuer, shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the relevant Borrower or such Lender, as the case may be, may have or have had against the relevant Issuer or any Lender, including any defense based upon the failure of any disbursement under a Letter of Credit to conform to the terms of the applicable Letter of Credit (if, in the relevant Issuer's good faith opinion, such disbursement is determined to be appropriate) or any non-application or misapplication by the beneficiary of the proceeds of such Letter of Credit; provided that nothing herein shall require the relevant Borrower or such Lender, as the case may be, to reimburse an Issuer for any wrongful disbursement made by such Issuer under a Letter of Credit as a result of acts or omissions finally determined by a court of competent jurisdiction to constitute gross negligence or willful misconduct on the part of such Issuer.

SECTION 3.2.4 DEEMED DISBURSEMENTS. Upon the occurrence and during the continuation of any Event of Default of the type described in Section 9.1.9 or, with notice from the Administrative Agent given at the direction of the Required Lenders, upon the occurrence and during the continuation of any other Event of Default, an amount equal to the then aggregate amount of all Letters of Credit which are undrawn and available under all issued and outstanding Letters of Credit shall, without demand upon or notice to any Borrower, be deemed to have been paid or disbursed by the Issuer under such Letters of Credit (notwithstanding that such amount may not in fact have been so paid or disbursed) and the Borrowers shall be immediately obligated to pay to the Issuer of each Letter of Credit an amount equal to such amount. Any amounts so payable by the relevant Borrower pursuant to Section 3.2.4 shall be deposited in cash with the Administrative Agent and held in trust (for the sole benefit of the relevant Issuer and the Lenders) for payment of the Obligations arising in connection with such Letters of Credit. If such Event of Default shall have been cured or waived (provided that no other Default has occurred and is continuing and the Obligations have not been accelerated pursuant to Section 9.2 or 9.3), the Administrative Agent shall promptly return to the relevant Borrower all amounts deposited by it with the Administrative Agent pursuant to this Section 3.2.4 (together with

accrued interest thereon at the Administrative Agent's Cost of Funds or such other interest rate based upon a cash equivalent investment (in the form of obligations issued by or guaranteed by the U.S. government, commercial paper of a domestic corporation rated A-1 by S&P or a comparable rating from another nationally recognized rating agency or certificates of deposit of a U.S. or Canadian bank with (x) a credit rating of Aa or better by S&P or a comparable rating from another nationally recognized rating agency and (y) a combined capital and surplus greater than \$250,000,000) which is agreed to between the relevant Issuer and the relevant Borrower), net of any amount (which may include accrued interest) applied to the payment of any Obligations with respect to the Letters of Credit.

SECTION 3.2.5 NATURE OF REIMBURSEMENT OBLIGATIONS. Each Borrower and, to the extent set forth in Section 3.2.1, each Lender shall assume all risks of the acts, omission or misuse of any Letter of Credit by the beneficiary thereof. No Issuer or any Lender (except to the extent of its own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction) shall be responsible for:

(a) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of a Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged;

(b) the form, validity, sufficiency, accuracy, genuineness or legal effect of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or the proceeds thereof in whole or in part, which may prove to be invalid or ineffective for any reason;

(c) failure of the beneficiary to comply fully with conditions required in order to demand payment under a Letter of Credit; provided that if a payment is made pursuant to such Letter of Credit when a beneficiary has failed to comply with the conditions therefor and such failure to comply is manifest on the face of such Letter of Credit or the documents submitted by the beneficiary in connection therewith, the relevant Borrower shall be required to indemnify the Issuer in connection therewith only if, and to the extent, the relevant Borrower or any of its Subsidiaries has received the benefit of such payment on such Letter of Credit by one or more of their obligations being satisfied, either in whole or in part;

(d) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, telecopy or otherwise; or

(e) any loss or delay in the transmission or otherwise of any document or draft required in order to make a disbursement under a Letter of Credit.

None of the foregoing shall affect, impair or prevent the vesting of any of the rights or powers granted to any Issuer or any Lender hereunder. In furtherance and extension and not in limitation or derogation of any of the foregoing (but subject to the limitations set forth in clause (c) above), any action taken or omitted to be taken by an Issuer in good faith (and not constituting gross negligence or willful misconduct as finally determined by a court of competent

jurisdiction) shall be binding upon the relevant Borrower and each Lender, and shall not put such Issuer under any resulting liability to any Borrower or any Lender.

SECTION 3.2.6 INELIGIBLE CURRENCIES. Notwithstanding any other provision contained in this Agreement, if, at any time prior to the Commitment Termination Date, the Administrative Agent determines that the Available Currency in which a Letter of Credit has been issued is an Ineligible Currency, then the Administrative Agent may (in its sole discretion) at any time notify the relevant Borrower of the same, and the Administrative Agent shall then promptly notify each other Lender. Such relevant Borrower shall use reasonable efforts to cause the beneficiary of such Letter of Credit to accept a substitution for such Letter of Credit with another Letter of Credit in an Available Currency acceptable to such Borrower and the relevant Issuer.

SECTION 3.2.7 EXISTING LETTERS OF CREDIT. On the Effective Date, the letters of credit disclosed in Item 3.2.7 (Existing Letters of Credit) of the Disclosure Schedule and outstanding under the \$50,000,000 uncommitted standby letter of credit line dated as of October 19, 2001, and as amended as of July 30, 2002 between Micro, certain of its Subsidiaries and Scotia Capital shall automatically and without any action on the part of any Person, become Letters of Credit hereunder issued for the account of Micro as the relevant Borrower.

ARTICLE IV

PRINCIPAL, INTEREST, AND FEE PAYMENTS

SECTION 4.1 LOAN ACCOUNTS, NOTES, PAYMENTS, AND PREPAYMENTS. The Outstanding Credit Extensions shall be evidenced by one or more loan accounts or records maintained by the Administrative Agent which loan accounts or records shall be conclusive evidence, absent manifest error, of the amount of those Outstanding Credit Extensions and the interest and principal payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the Obligations of the relevant Borrower under the Loan Documents to pay any amount owing with respect to the Obligations. Upon the request of any Lender made at any time through the Administrative Agent, the relevant Borrower shall promptly execute and deliver to that Lender a Revolving Note to evidence Revolving Loans made by that Lender to the relevant Borrower.

SECTION 4.1.1 REPAYMENTS AND PREPAYMENTS OF REVOLVING LOANS. The relevant Borrower shall make all payments and prepayments of each Revolving Loan made to it in the Available Currency in which it was originally denominated and shall repay in full the unpaid principal amount of each Revolving Loan outstanding to it at the Maturity thereof. Before that Maturity:

(a) the relevant Borrower may, from time to time on any Business Day, make a voluntary prepayment, in whole or in part, of the outstanding principal amount of any Revolving Loan; provided that:

(i) any such prepayment of any Revolving Loan shall be allocated to each Lender pro rata according to such Lender's Percentage of the Revolving Loans so prepaid;

(ii) any such prepayment of any Revolving Loan made on any day other than the last day of the Interest Period then applicable to such Revolving Loan shall be subject to Section 5.4;

(iii) all such voluntary prepayments shall require prior notice to the Administrative Agent of at least three but no more than five Business Days; and

(iv) all such voluntary prepayments shall, if other than a prepayment in whole, be in an aggregate minimum amount of \$5,000,000 and an integral multiple of \$1,000,000;

(b) The Administrative Agent shall determine if the aggregate Outstanding Credit Extensions of all the Lenders exceed the Total Credit Commitment Amount (i) at the end of each Fiscal Period and (ii) on the date of each request for a Credit Extension (excluding any request submitted in respect of any continuation of any Borrowing previously made hereunder), and promptly thereafter -- and in any event, in respect of any determination made pursuant to clause (ii) above, prior to the proposed date of such requested Credit Extension -- Micro shall (or shall cause the other Borrowers to) make a mandatory prepayment of the outstanding principal amount of such Revolving Loans as Micro may select in an amount equal to such excess, such prepayment to be allocated to the Lenders in the manner set forth in clause (a)(i) above; and

(c) Micro shall (and shall cause the other relevant Borrowers to), on each date when any reduction or termination in the Total Credit Commitment Amount shall become effective, including pursuant to Section 2.2, make a mandatory prepayment of all Revolving Loans equal to the excess, if any, of the then aggregate Outstanding Credit Extensions of all the Lenders over the Total Credit Commitment Amount as so reduced, such prepayment to be allocated to the Lenders in the manner set forth in clause (a)(i) above.

SECTION 4.2 INTEREST PROVISIONS. Each Revolving Loan shall bear interest from and including the day when made until (but not including) the day such Revolving Loan shall be paid in full, and such interest shall accrue and be payable in accordance with this Section 4.2.

SECTION 4.2.1 RATES. Subject to Sections 4.2.2 and 5.1, each Revolving Loan shall bear an annual rate of interest, during each Interest Period applicable thereto, equal to the sum of (i) the LIBO Rate for such Interest Period, (ii) the Applicable Margin, plus (iii) Mandatory Costs (if any).

SECTION 4.2.2 POST-MATURITY RATES. After the date any principal amount of any Revolving Loan is due and payable (whether at Maturity, upon acceleration or otherwise), or after any other monetary Obligation of Micro or any other Borrower shall have become due and payable, Micro or each such other Borrower shall pay, but only to the extent permitted by law, interest (after as well as before judgment) on such amounts at an annual rate equal to the Reference Rate plus 2%.

SECTION 4.2.3 CONTINUATION ELECTIONS. The relevant Borrower may from time to time by delivering a Continuation Notice to the Administrative Agent on or before 1:00 p.m.,

Applicable Time, on a Business Day, irrevocably elect, on not less than three nor more than five Business Days' notice, that all, or any portion in an aggregate minimum amount of \$5,000,000 and an integral multiple of \$1,000,000 of the Revolving Loans, be continued for one or more new Interest Periods; provided that:

(a) in the absence of delivery of a Continuation Notice with respect to any Revolving Loan, at least three Business Days (but not more than five Business Days) before the last day of the then current Interest Period with respect thereto, that Revolving Loan shall, on such last day, automatically continue for a new Interest Period having a duration equal to the original duration of the then expiring Interest Period; and

(b) no portion of the outstanding principal amount of any Revolving Loans may be continued with an Interest Period longer than one month while any Default has occurred and is continuing.

SECTION 4.2.4 PAYMENT DATES. Interest accrued on each Revolving Loan shall be payable, without duplication, in the Available Currency in which it is denominated:

(a) on the Commitment Termination Date;

(b) on the date of any payment or prepayment, in whole or in part, of principal outstanding on such Revolving Loan (but only on the principal amount so paid or prepaid);

(c) on the last day of each applicable Interest Period (and, if such Interest Period shall exceed three months, on each three month anniversary of the date of the commencement of such Interest Period); and

(d) on that portion of any Revolving Loans which is accelerated pursuant to Section 9.2 or 9.3, immediately upon such acceleration.

Interest accrued on Revolving Loans or other monetary Obligations arising under this Agreement or any other Loan Document after the date such Revolving Loans or other Obligations are due and payable (whether on the Commitment Termination Date, upon acceleration or otherwise) shall be payable upon demand.

SECTION 4.2.5 INTEREST RATE DETERMINATION. The Administrative Agent and, if and when applicable, the Reference Lenders shall, in accordance with each of their customary practices, attempt to determine the relevant interest rates applicable to each Revolving Loan requested to be made pursuant to each Borrowing Request duly completed and delivered by a Borrower, and, if and when applicable, each Reference Lender agrees to furnish the Administrative Agent timely information for the purpose of determining the LIBO Rate. If any Reference Lender fails, if and when applicable, to timely furnish such information to the Administrative Agent for any such interest rate, the Administrative Agent shall determine such interest rate on the basis of the information shared by the other Reference Lender.

SECTION 4.2.6 ADDITIONAL INTEREST ON REVOLVING LOANS. For so long as the cost to a Lender of making or maintaining its Revolving Loans is increased as a result of any imposition

or modification after the date of this Agreement of any reserve required to be maintained by such Lender against Eurocurrency Liabilities (or any other category of liabilities which includes deposits by reference to which the interest rate on Revolving Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of such Lender to United States residents but not duplicating any requirement included in the calculation of Mandatory Costs), then such Lender may require the relevant Borrower to pay, contemporaneously with each payment of interest on the Revolving Loans, additional interest on the related Revolving Loan of such Lender at a rate per annum up to but not exceeding the excess of (i) (A) the applicable LIBO Rate divided by (B) one minus the LIBOR Reserve Percentage over (ii) the applicable LIBO Rate. Any Lender wishing to require payment of such additional interest shall so notify Micro and the Administrative Agent (which notice shall set forth the amount (as determined by such Lender) to which such Lender is then entitled under this Section 4.2.6 (which amount shall be consistent with such Lender's good faith estimate of the level at which the related reserves are maintained by it and which determination shall be conclusive and binding for all purposes, absent demonstrable error) and shall be accompanied by such information as to the computation set forth therein as Micro may reasonably request), in which case such additional interest on the Revolving Loans of such Lender shall be payable on the last day of each Interest Period thereafter (commencing with the Interest Period beginning at least three Business Days after the giving of such notice) to such Lender at the place indicated in such notice. Each Lender that receives any payment in respect of increased costs pursuant to this Section 4.2.6 shall promptly notify Micro of any change with respect to such costs which affects the amount of additional interest payable pursuant to this section in respect thereof.

SECTION 4.3 FEES. Each Borrower agrees to pay the fees applicable to it set forth in this Section 4.3. All such fees shall be nonrefundable and shall be paid in Dollars to the Administrative Agent, each Lender or the relevant Issuer, as the case may be, at its office specified for such purpose on the signature pages hereof.

SECTION 4.3.1 ADMINISTRATION FEES. Coordination Center and Micro, jointly and severally, agree to pay directly to the Administrative Agent, for its own account, an annual administration fee in the amounts and on the dates set forth in the Fee Letter.

SECTION 4.3.2 COMMITMENT FEES. Coordination Center and Micro, jointly and severally, agree to pay to the Administrative Agent for the account of each Lender (including, any portion thereof when the Lenders may not extend any Credit Extensions by reason of the inability of the Borrowers to satisfy any condition of Section 6.1 or 6.2) (a) for each day during the period commencing on the Effective Date and continuing through and including the last day of the Fiscal Period ending on the Saturday nearest June 30, 2003, a commitment fee to each Lender on the unused portion of its Credit Commitment Amount on such day at a rate of 0.75% per annum and (b) for each day thereafter, until but excluding the Commitment Termination Date, a commitment fee to each Lender on the unused portion of its Credit Commitment Amount on each day at the rate per annum determined in accordance with the following procedure:

(1) If the Pricing Level set forth opposite the Leverage Ratio is the same as the Pricing Level set forth opposite the applicable Credit Rating, then the commitment fee for that Pricing Level shall be the commitment fee.

(2) If the Pricing Level set forth opposite the Leverage Ratio differs by one Pricing Level from the Pricing Level set forth opposite the applicable Credit Rating, then the commitment fee for the lower numbered Pricing Level of the two shall be the commitment fee.

(3) If the Pricing Level set forth opposite the Leverage Ratio differs by more than one Pricing Level from the Pricing Level set forth opposite the applicable Credit Rating, then the commitment fee shall be the average of the commitment fees for such two Pricing Levels.

PRICING LEVEL	CREDIT RATING	LEVERAGE RATIO	COMMITMENT FEE
Level I	Higher than or equal to BBB or Baa2	Less than 2.00	0.500%
Level II	BBB- or Baa3	Greater than or equal to 2.00, but less than 2.50	0.625%
Level III	BB+ or Ba1	Greater than or equal to 2.50, but less than 3.00	0.750%
Level IV	BB or Ba2	Greater than or equal to 3.00, but less than 3.50	1.000%
Level V	Lower than or equal to BB- or Ba3	Greater than or equal to 3.50	1.350%

Such commitment fee shall be determined from time to time by the Administrative Agent and shall be payable by Coordination Center in arrears on each Quarterly Payment Date and on the Commitment Termination Date. If the Credit Ratings assigned by S&P and Moody's fall into different Pricing Levels, then the applicable Pricing Level shall be determined by reference to the lower of the two Credit Ratings.

The applicable Leverage Ratio shall be the Leverage Ratio for the Fiscal Period most recently ended prior to such day for which financial statements and reports have been received by the Administrative Agent pursuant to Section 8.1.1(a) or (b), as set forth in (and effective upon delivery by Micro to the Administrative Agent of) the related new Compliance Certificate pursuant to Section 8.1.1(d).

Notwithstanding the foregoing, (a) for so long as an Event of Default has occurred and is continuing the applicable Pricing Level shall be Level V and (b) if Micro shall fail to deliver a Compliance Certificate required to be delivered pursuant to Section 8.1.1(d) within 60 days after the end of any of its fiscal quarters (or within 90 days, in the case of the last fiscal quarter of its Fiscal Year), the applicable Pricing Level from and including the 61st (or 91st, as the case may be) day after the end of such fiscal quarter (or Fiscal Year, as the case may be) to but not including the date Micro delivers to the Administrative Agent a quarterly Compliance Certificate shall be Level V.

SECTION 4.3.3 LETTER OF CREDIT FEES.

(a) The applicable Borrower agrees to pay to the Administrative Agent for the account of each Lender (including the relevant Issuer) a Letter of Credit participation fee equal to each Lender's Percentage of the average daily Stated Amount of each Letter of Credit during the applicable period multiplied by the Applicable Margin then in effect for any Revolving Loan. Such participation fee shall accrue from the date of issuance of any Letter of Credit until the date such Letter of Credit is drawn in full or terminated, and shall be payable in arrears on each Quarterly Payment Date and on the date that the Commitments terminate in their entirety.

(b) The applicable Borrower agrees to pay to the Administrative Agent for the account of the Issuer of each Letter of Credit a Letter of Credit fronting fee at the rate set forth in the Fee Letter (or, in the case of an Issuer other than Scotia Capital, as separately agreed between Micro and such Issuer) during the applicable period, such fee to be payable for the account of the relevant Issuer in quarterly installments in arrears on each Quarterly Payment Date and on the date that the Commitments terminate in their entirety. Micro agrees to reimburse each Issuer, on demand, for all usual out-of-pocket costs and expenses incurred in connection with the issuance or maintenance of any Letter of Credit issued by such Issuer.

(c) The Administrative Agent shall pay to each Lender and each Issuer fees paid for its account under clause (a) or (b) above promptly after receipt by the Administrative Agent.

SECTION 4.4 RATE AND FEE DETERMINATIONS. Interest on each Revolving Loan shall be computed on the basis of a year consisting of 360 days (or 365 or 366, as the case may be, for Revolving Loans denominated in Sterling) and fees shall be computed on the basis of a year consisting of 365 or 366 days, as the case may be, in each case paid for the actual number of days elapsed, calculated as to each period from and including the first day thereof to but excluding the last day thereof. All determinations by the Administrative Agent of the rate of interest payable with respect to any Revolving Loan shall be conclusive and binding in the absence of demonstrable error.

ARTICLE V

CERTAIN PAYMENT PROVISIONS

SECTION 5.1 ILLEGALITY; CURRENCY RESTRICTIONS.

(a) If, as the result of any Regulatory Change, any Lender shall determine (which determination shall, in the absence of demonstrable error, be conclusive and binding on each Borrower), that it is unlawful for such Lender to make any Revolving Loan, issue any Letter of Credit, or continue any Revolving Loan previously made by it hereunder in respect of the LIBO Rate, as the case may be, the obligations of such Lender to make any such Loan, issue any such Letter of Credit, or continue any such Revolving Loan in respect of the LIBO Rate, as the case may be, shall, upon the giving of notice

thereof to the Administrative Agent, Micro, and any other applicable Borrower, forthwith be suspended and each applicable Borrower shall, if requested by such Lender and if required by such Regulatory Change, on such date as shall be specified in such notice, prepay to such Lender in full all of such Revolving Loans or convert all of such Revolving Loans into a Cost of Funds Rate Loan that is not unlawful, in each case on the last day of the Interest Period applicable thereto (unless otherwise required by applicable law) and without any penalty whatsoever (but subject to Section 5.4); provided that such Lender shall make as Cost of Funds Loans all Revolving Loans that such Lender would otherwise be obligated to make Revolving Loans at the LIBO Rate and convert into or continue as Cost of Funds Loans all Revolving Loans that such Lender would otherwise be required to convert into or continue as Revolving Loans at the LIBO Rate, in each case during the period any such suspension is effective. Such suspension shall continue to be effective until such Lender shall notify the Administrative Agent and Micro that the circumstances causing such suspension no longer exist, at which time the obligations of such Lender to make any such Loan, issue any Letter of Credit, or continue any Revolving Loan, as the case may be, shall be reinstated.

(b) If any central bank or other governmental authorization in the country of the proposed Available Currency of any proposed Revolving Loan is required to permit the use of such Available Currency by a Lender (through its Lending Office) for such Revolving Loan and such authorization has not been obtained (provided that such Lender has used reasonable endeavors to obtain such authorization) or is not in full force and effect, the obligation of such Lender to provide such Revolving Loans shall be suspended so long as such authorization is required and has not been obtained by such Lender.

SECTION 5.2 DEPOSITS UNAVAILABLE.

(a) If, before the date on which all or any portion of any Revolving Loan bearing interest in respect of the LIBO Rate is to be made, maintained, or continued the Administrative Agent shall have determined (which determination shall be conclusive and binding), with respect to that Revolving Loan that:

(i) deposits in the relevant amount and the relevant Available Currency and for the relevant Interest Period are available, if and when applicable, to none of the Reference Lenders in the relevant market, or

(ii) by reason of circumstances affecting the London interbank market adequate means do not exist for ascertaining the interest rate applicable under this Agreement in respect of the relevant LIBO Rate,

then, upon notice from the Administrative Agent to Micro and the Lenders, the obligations of the Lenders to make or continue any Revolving Loan bearing interest in respect of the LIBO Rate in such Available Currency under Sections 3.1 and 4.2.3 shall forthwith be suspended until the Administrative Agent shall notify Micro and the Lenders that the circumstances causing such suspension no longer exist.

(b) If a notification under this Section 5.2 applies to a Revolving Loan which is outstanding and that is not going to be converted at the end of its Interest Period to another Available Currency for which the LIBO Rate is available, then, notwithstanding any other provision of this Agreement:

(i) within five Business Days of receipt of the notification, the Borrowers and the Administrative Agent shall enter into negotiations for a period of not more than 30 days with a view to agreeing an alternative basis for determining the rate of interest and/or funding applicable to that Revolving Loan at the end of its applicable Interest Period;

(ii) any alternative basis agreed under clause (i) above shall be, with the prior consent of all the Lenders, binding on all of the Obligors and Lender Parties;

(iii) if no alternative basis is agreed, each Lender shall (through the Administrative Agent) certify on or before the last day of the Interest Period to which the notification relates an alternative basis for maintaining its participation in that Revolving Loan;

(iv) any such alternative basis may include an alternative method of fixing the interest rate, alternative Interest Periods or alternative currencies but it must reflect the cost to the Lender of funding its participation in the Revolving Loan from whatever sources it may select plus the Applicable Margin; and

(v) each alternative basis so certified shall be binding on the Obligors and the certifying Lender and treated as part of this Agreement.

SECTION 5.3 INCREASED CREDIT EXTENSION COSTS, ETC. Each Borrower agrees to reimburse each Lender within 30 days after any demand for any increase in the cost to such Lender of, or any reduction in the amount of any sum receivable by such Lender in respect of, making, maintaining, participating, issuing or extending (or of its obligation to make, maintain, participate, issue or extend) any Credit Extension to the extent such increased cost or reduced amount is due to a Regulatory Change. Such Lender shall provide to the Administrative Agent and the relevant Borrower a certificate stating, in reasonable detail, the reasons for such increased cost or reduced amount and the additional amount required fully to compensate such Lender for such increased cost or reduced amount. Such additional amounts shall be payable by the relevant Borrower directly to such Lender upon its receipt of such notice, and such notice shall be rebuttable, presumptive evidence of the additional amounts so owing. In determining such amount, such Lender shall act reasonably and in good faith and may use any method of averaging and attribution that it customarily uses for its other borrowers with a similar credit rating as Micro. Such Lender may demand reimbursement for such increased cost or reduced amount only for the 360-day period immediately preceding the date of such written notice, and such Borrower shall have liability only for such period.

SECTION 5.4 FUNDING LOSSES. If any Lender shall incur any loss or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits

or other funds acquired by such Lender to make, continue, or extend any portion of the principal amount of any Revolving Loan) as a result of:

(a) any repayment or prepayment of the principal amount of any Revolving Loan on a date other than the scheduled last day of the Interest Period whether pursuant to Section 4.1.1 or otherwise;

(b) any conversion of the currency of any Revolving Loan on a date other than the scheduled last day of the Interest Period; or

(c) any Revolving Loan not being made, continued, or converted in accordance with the Credit Extension Request therefor in the case of any Credit Extension Request as a consequence of any action taken, or failed to be taken, by any Obligor,

then, upon the written notice of such Lender to the relevant Borrower (with a copy to the Administrative Agent), such Borrower shall, within five days of its receipt thereof, pay directly to such Lender such amount as will (in the reasonable determination of such Lender) reimburse such Lender for such loss or expense. Such written notice (which shall include calculations in reasonable detail) shall be rebuttable presumptive evidence of the amount of any such loss or expense that has been so incurred.

SECTION 5.5 INCREASED CAPITAL COSTS. If any Regulatory Change affects or would affect the amount of capital required or expected to be maintained by any Lender or any Person controlling such Lender, and such Lender determines (in its sole and absolute discretion) that the rate of return on its or such controlling Person's capital as a consequence of its participation in this Agreement or the making, continuing, participating in or extending of any Credit Extension is reduced to a level below that which such Lender or such controlling Person could have achieved but for the occurrence of any such circumstance, then, in any such case, upon the relevant Borrower's receipt of written notice thereof from such Lender (with a copy to the Administrative Agent), such Borrower shall pay directly to such Lender additional amounts sufficient to compensate such Lender or such controlling Person for such reduction in rate of return. A statement of such Lender as to any such additional amounts (including calculations thereof in reasonable detail) shall be rebuttable, presumptive evidence of the additional amounts so owing. In determining such amount, such Lender may use any method of averaging and attribution that it shall deem applicable. Such Lender may demand payment for such additional amounts that have accrued only during the 360-day period immediately preceding the date of such written notice and such Borrower shall have liability only for such period.

SECTION 5.6 DISCRETION OF LENDERS AS TO MANNER OF FUNDING.

Notwithstanding any provision of this Agreement to the contrary, the Lenders shall be entitled to fund and maintain their funding of all or any part of their Revolving Loans and other Credit Extensions in any manner they elect, it being understood, however, that for the purposes of this Agreement all determinations hereunder with respect to a Revolving Loan shall be made as if each Lender had actually funded and maintained each Revolving Loan through its Lending Office and through the purchase of deposits having a maturity corresponding to the maturity of such Revolving Loan. Any Lender may, if it so elects, fulfill any commitment or obligation to make or maintain

Revolving Loans or other Credit Extensions by causing a branch or affiliate to make or maintain such Revolving Loans or other Credit Extensions; provided that, in such event, such Revolving Loans or other Credit Extensions shall be deemed for the purposes of this Agreement to have been made by such Lender through its applicable Lending Office, and the obligation of a Borrower to repay such Revolving Loans shall nevertheless be to such Lender at its Lending Office and shall be deemed held by such Lender through its applicable Lending Office, to the extent of such Revolving Loan, for the account of such branch or affiliate. Notwithstanding the foregoing or the fact that different Affiliates for a Lender under this Agreement may have executed this Agreement or the Lender Assignment Agreement by which it has become a Lender under this Agreement, all of those Lending Offices and signatories shall be treated under the Loan Documents as but one Lender for purposes of calculations of Percentage, Commitment, Required Lenders, and modifications, amendments, waivers, consents, and approvals under Section 11.1 and other provisions of the Loan Documents.

SECTION 5.7 TAXES.

(a) All payments by any Obligor of principal of, and interest and fees on, any Credit Extension and all other amounts payable hereunder or under any other Loan Document shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes, and other taxes, fees, duties, withholdings, or other charges of any nature whatsoever imposed by any taxing authority with respect to such payments, but excluding franchise taxes and taxes imposed on or measured by any Lender Party's gross or net income, profits, or receipts, in each case imposed (i) by any taxing authority under the laws of which such Lender Party is organized or in which it maintains its applicable Lending Office or (ii) by reason of a present or former connection between the jurisdiction imposing such tax and such Lender Party or one of its applicable lending offices other than a connection arising solely from such Lender Party having executed, delivered or performed its obligations under, or received payment under or enforced, this Agreement or any of the other Loan Documents (such non-excluded items being called "Taxes") except to the extent required by law. In the event that any withholding or deduction from any payment to be made by any Obligor hereunder is required in respect of any Taxes pursuant to any applicable law, rule, or regulation, then such Obligor will:

(i) pay directly to the relevant authority the full amount required to be so withheld or deducted;

(ii) promptly forward to the relevant Lender Party an official receipt or other documentation satisfactory to such Lender Party evidencing such payment to such authority; and

(iii) pay directly to the relevant Lender Party for its own account such additional amount or amounts as is or are necessary to ensure that the net amount actually received by such Lender Party will equal the full amount such Lender Party would have received had no such withholding or deduction been required.

(b) Moreover, if any Taxes are directly asserted against any Lender Party with respect to any payment received by such Lender Party hereunder, such Lender Party may pay such Taxes and the relevant Obligor will promptly pay such additional amounts (including any penalties, interest or expenses) as is necessary in order that the net amount received by such Lender Party after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount such Lender Party would have received had not such Taxes been asserted.

(c) If the relevant Obligor fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the relevant Lender Parties entitled thereto the required receipt or other required documentary evidence, such Obligor shall indemnify such Lender Parties for any incremental Taxes, interest or penalties that may become payable by any Lender Party as a result of any such failure.

(d) The following provisions govern exceptions to the tax indemnification provisions of this Section 5.7 and related matters.

(i) In respect of its Credit Extensions to Micro, (A) each Lender Party organized under the laws of a jurisdiction outside the United States -- on or before the date of its execution and delivery of this Agreement (if an original signatory to this Agreement) or the date on which it otherwise becomes a Lender Party, on or before the date of any change in its Lending Office, and from time to time thereafter if requested in writing by Micro (but only so long as and to the extent that Lender Party remains lawfully able to do so) -- shall provide Micro and the Administrative Agent with either (I) two duly completed copies of either (1) Internal Revenue Service Form W-8BEN claiming eligibility of such Lender Party for the benefit of an exemption from United States withholding tax under an income tax treaty to which the United States is a party or (2) Internal Revenue Service Form W-8ECI, or in either case an applicable successor form, or (II) in the case of a Lender Party who is not legally entitled to deliver either form listed in clause (i)(A), (1) a certificate to the effect that such Lender Party is not (x) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (y) a "10 percent shareholder" of the Obligor within the meaning of Section 881(c)(3)(B) of the Code or (z) a controlled foreign corporation receiving interest from a related person within the meaning of Section 881(c)(3)(A) of the Code (such certificate an "Exemption Certificate") and (2) two duly completed copies of Internal Revenue Service Form W-8BEN or applicable successor form and (B) each Lender Party who is a Non-Exempt U.S. Person, on or before the date of its execution and delivery of this Agreement (if an original signatory to this Agreement) or the date on which it becomes a Lender Party, on or before the date of any change in its Lending Office, and from time to time thereafter if requested in writing by Micro (but only so long as that Lender Party remains lawfully able to do so), shall provide Micro and the Administrative Agent with two duly completed copies of Internal Revenue Service Form W-9.

(ii) A Lender Party is not entitled to indemnification under this Section 5.7 with respect to the applicable Taxes for any period during which the Lender

Party has failed to provide Micro and the Administrative Agent with the applicable U.S. Internal Revenue Service form if required under clause (i) above (unless that failure is due to a change in treaty, law, or regulation occurring after the date on which the applicable form originally was required to be provided or a redesignation of the Lender Party's Lending Office at the request of the relevant Obligor) in respect of U.S. withholding taxes.

(iii) Notwithstanding clause (ii) above to the contrary, if a Lender Party that is otherwise exempt from or subject to a reduced rate of withholding tax becomes subject to United States withholding tax because of its failure to deliver an Internal Revenue Service form required hereunder, then Micro shall take such steps as that Lender Party shall reasonably request to assist that Lender Party to recover the applicable withholding tax.

(e) If any Obligor pays any additional amount under this Section 5.7 (a "Tax Payment") and any Lender Party or Affiliate thereof effectively obtains a refund of Tax by reason of the Tax Payment (a "Tax Refund") and such Tax Refund is, in the reasonable judgment of such Lender Party or Affiliate, attributable to the Tax Payment, then such Lender Party, after receipt of such Tax Refund, shall promptly reimburse such Obligor for such amount as such Lender Party shall reasonably determine to be the proportion of the Tax Refund as will leave such Lender Party (after that reimbursement) in no better or worse position than it would have been in if the Tax Payment had not been required; provided that no Lender Party shall be required to make any such reimbursement if it reasonably believes the making of such reimbursement would cause it to lose the benefit of the Tax Refund or would adversely affect in any other respect its tax position. Subject to the other terms hereof, any claim by a Lender Party for a Tax Refund shall be made in a manner, order and amount as such Lender Party determines in its sole and absolute discretion. No Lender Party shall be obligated to disclose information regarding its tax affairs or computations to any Obligor, it being understood and agreed that in no event shall any Lender Party be required to disclose information regarding its tax position that it deems to be confidential (other than with respect to the Tax Refund).

SECTION 5.8 PAYMENTS. All payments by an Obligor pursuant to this Agreement or any other Loan Document, whether in respect of principal, interest, fees or otherwise, shall be made as set forth in this Section 5.8.

SECTION 5.8.1 CREDIT EXTENSIONS.

(a) All payments by an Obligor (whether in respect of principal, interest, fees or otherwise) pursuant to this Agreement or any other Loan Document with respect to Credit Extensions or any other amount payable hereunder shall be made by the relevant Borrower in the Available Currency in which the Obligation was denominated (the "Required Currency"). All such payments (other than fees payable pursuant to Section 4.3, which fees shall be paid by Micro or Coordination Center or the relevant Borrower to the Administrative Agent for the account of the relevant payee, Article V, Section 11.3 or 11.4) shall be made by the relevant Borrower to the Administrative Agent for the account of each Lender based upon its Percentage. All such payments required to

be made to the Administrative Agent shall be made, without set-off, deduction or counterclaim, not later than 1:00 p.m., Applicable Time, on the date when due, in same day or immediately available funds, to such account as the Administrative Agent shall specify from time to time by notice to the relevant Borrower. Funds received after that time shall be deemed to have been received by the Administrative Agent on the next succeeding Business Day. The Administrative Agent shall promptly remit in same day funds to each Lender its share, if any, of such payments received by the Administrative Agent for the account of such Lender. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall, except as otherwise required pursuant to clause (d) of the definition of Interest Period, be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be.

(b) In the case of any payment made pursuant to the preceding clause (a) by a Borrower to the Administrative Agent, unless the Administrative Agent will have received notice from that Borrower prior to the date on which any such payment is due hereunder that such Borrower will not make such payment in full, the Administrative Agent may assume that such Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due to such Lender. If that Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand any such amount distributed to the Lender to the extent that such amount was not paid by that Borrower to the Administrative Agent together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at an annual rate equal to the Administrative Agent's Cost of Funds.

SECTION 5.9 SHARING OF PAYMENTS.

(a) If any Lender Party shall obtain any payment or other recovery (whether voluntary, involuntary, by application of setoff or otherwise) on account of any Credit Extension or Reimbursement Obligation (other than pursuant to the terms of Sections 5.3, 5.4, 5.5 or 5.7) in excess of its pro rata share of payments obtained by all Lender Parties, such Lender Party shall purchase from the other Lender Parties such participations in Credit Extensions made by them as shall be necessary to cause such purchasing Lender Party to share the excess payment or other recovery ratably (to the extent such other Lender Parties were entitled to receive a portion of such payment or recovery) with each of them; provided, however, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender Party, the purchase shall be rescinded and each Lender Party which has sold a participation to the purchasing Lender Party shall repay to the purchasing Lender Party the purchase price to the ratable extent of such recovery together with an amount equal to such selling Lender Party's ratable share (according to the proportion of (a) the amount of such selling Lender Party's required repayment to the purchasing Lender Party to (b) total amount so recovered from the purchasing Lender Party) of any interest or other amount paid or payable by the purchasing Lender Party in respect of the total amount so recovered.

(b) The Borrowers agree that any Lender Party purchasing a participation from another Lender Party pursuant to this Section 5.9 may, to the fullest extent permitted by law, exercise all its rights of payment (including pursuant to Section 5.10) with respect to such participation as fully as if such Lender Party were the direct creditor of the relevant Borrower in the amount of such participation. If under any applicable bankruptcy, insolvency or other similar law any Lender Party receives a secured claim in lieu of a setoff to which this Section 5.9 applies, such Lender Party shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lender Parties entitled under this Section 5.9 to share in the benefits of any recovery on such secured claim.

SECTION 5.10 RIGHT OF SET-OFF. Upon the occurrence and during the continuance of any Event of Default, each Lender Party is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all balances, credits, accounts, moneys or deposits (general or special, time or demand, provisional or final but excluding, for the avoidance of doubt, any payment received pursuant to this Agreement by the Administrative Agent in its capacity qua Administrative Agent on behalf of the Lenders) at any time held and other indebtedness at any time due and owing by such Lender Party (in any currency and at any branch or office) to or for the credit or the account of any Obligor against any and all of the Obligations of such Obligor now or hereafter existing under this Agreement or any other Loan Document that are at such time due and owing, irrespective of whether or not such Lender Party shall have made any demand under this Agreement or such other Loan Document (other than any notice expressly required hereby). The rights of each Lender Party under this Section 5.10 are in addition to other rights and remedies (including other rights of set-off) which such Lender Party may have.

SECTION 5.11 JUDGMENTS, CURRENCIES, ETC. The obligation of each Obligor to make payment of all Obligations in the Required Currency shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment, which is expressed in or converted into any currency other than the Required Currency, except to the extent such tender or recovery shall result in the actual receipt by the recipient at the office required hereunder of the full amount of the Required Currency expressed to be payable under this Agreement or any other Loan Document. Without limiting the generality of the foregoing, each Obligor authorizes the Administrative Agent on any tender or recovery in a currency other than the Required Currency to purchase in accordance with normal banking procedures the Required Currency with the amount of such other currency so tendered or recovered. The obligation of each Obligor to make payments in the Required Currency shall be enforceable as an alternative or additional cause of action for the purpose of recovery in the Required Currency of the amount (if any) by which such actual receipt shall fall short of the full amount of the Required Currency expressed to be payable under this Agreement or any other Loan Document, and shall not be affected by judgment being obtained for any other sums due under this Agreement or such other Loan Document.

SECTION 5.12 REPLACEMENT OF LENDERS. Each Lender hereby severally agrees that if such Lender (a "Subject Lender") makes demand upon any Borrower for (or if any Borrower is otherwise required to pay) amounts pursuant to Section 4.2.6, 5.3, 5.5, or 5.7, or if the obligation of such Lender to make Loans is suspended pursuant to Section 5.1(a), such Borrower may, so

long as no Event of Default shall have occurred and be continuing, replace such Subject Lender with an Eligible Assignee pursuant to an assignment in accordance with Section 11.11.1; provided that (i) such Eligible Assignee shall be subject to the approval of the Administrative Agent and the Issuer as required by the definition of "Eligible Assignee", and (ii) the purchase price paid by such designated financial institution shall be in the amount of such Subject Lender's Loans and its applicable Percentage of outstanding Reimbursement Obligations, together with all accrued and unpaid interest and fees in respect thereof, plus all other amounts (including the amounts demanded and unreimbursed under Sections 4.2.6, 5.3, 5.5, and 5.7), owing to such Subject Lender hereunder. Upon the effective date of such assignment, such designated financial institution shall become a Lender for all purposes under this Agreement and the other Loan Documents.

SECTION 5.13 CHANGE OF LENDING OFFICE. If Micro or any other Obligor is required to pay additional amounts to or for the account of any Lender Party pursuant to Section 4.2.6, 5.3, 5.5, or 5.7, or if the obligation of any Lender to make or continue Loans is suspended pursuant to Section 5.1(a), then such Lender Party will change the jurisdiction of its Lending Office if, in the judgment of such Lender Party, such change (a) will eliminate or reduce any such additional payment which may thereafter accrue or will avoid such suspension and (b) is not otherwise disadvantageous to such Lender Party.

SECTION 5.14 EUROPEAN MONETARY UNION. If and to the extent that any provision of this Section 5.14 relates to any state (or the currency of such state) that is not a Participating Member State on the Effective Date, such provision shall become effective in relation to such state (and the currency of such state) at and from the date on which such state becomes a Participating Member State.

(a) An amount denominated in the National Currency Unit of a Participating Member State shall be redenominated into Euro in accordance with EMU Legislation and paid by the debtor either in the Euro Unit or in that National Currency Unit and an amount denominated in the Euro Unit shall be paid by the debtor in the Euro Unit unless EMU Legislation provides otherwise; provided, that if and to the extent that any EMU Legislation provides that an amount denominated either in the Euro or in the National Currency Unit of a Participating Member State and payable within the Participating Member State by crediting an account of the creditor can be paid by the debtor either in the Euro Unit or in that National Currency Unit, any party to this Agreement shall be entitled to pay or repay any such amount either in the Euro Unit or in such National Currency Unit.

(b) If the basis of accrual of interest or fees expressed in this Agreement with respect to the currency of any state that is or becomes a Participating Member State shall be inconsistent with any convention or practice in the London, England interbank market for the basis of accrual of interest or fees in respect of the Euro, such convention or practice shall replace such expressed basis effective as of and from the date on which such state becomes a Participating Member State.

(c) Without prejudice to the respective liabilities of each Borrower to the Lenders, the Issuer and the Administrative Agent under or pursuant to this Agreement,

except as expressly provided in this clause (c), each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent in consultation with Micro may from time to time specify to be necessary or appropriate to reflect the introduction of or changeover to the Euro in Participating Member States.

ARTICLE VI

CONDITIONS TO MAKING CREDIT EXTENSIONS AND ACCESSION OF ACCEDING BORROWERS

SECTION 6.1 INITIAL CREDIT EXTENSION. The obligation of each Lender and, if applicable, any Issuer to make the initial Credit Extension shall be subject to the prior or concurrent satisfaction of each of the conditions precedent set forth in this Section 6.1.

SECTION 6.1.1 RESOLUTIONS, ETC. The Administrative Agent will have received from each Obligor a certificate, dated the Effective Date and with counterparts for each Lender, duly executed and delivered by the Secretary, Assistant Secretary, or other authorized representative of such Obligor as to:

(a) resolutions of its Board of Directors or its Executive Committee, as the case may be, then in full force and effect authorizing the execution, delivery and performance of this Agreement and each other Loan Document to be executed by it and in addition, in respect of Coordination Center, (i) resolutions of its General Shareholders Meeting specifically approving, for the purposes of article 556 of the Belgian Company Code, Section 8.1.12, Sections 9.1.4 and 9.3 (to the extent they apply to Section 8.1.12) and, insofar as required, Section 9.1.8 and (ii) evidence of the filing of such resolution with the clerk office at the commercial court of Brussels;

(b) the incumbency and signatures of those of its officers authorized to act as Authorized Persons for it with respect to this Agreement and each other Loan Document to be executed by it; and

(c) the Organic Documents of such Obligor (including, without limitation, with respect to Micro, any amendments, modifications, or supplements to the Board Representation Agreement since May 30, 2002;

upon which certificate each Lender may conclusively rely until the Administrative Agent shall have received a further certificate of the Secretary of the relevant Obligor canceling or amending such prior certificate. In addition, each Obligor shall, where applicable, have delivered to the Administrative Agent a good standing certificate from the relevant governmental regulatory institution of its jurisdiction of incorporation, each such certificate to be dated a date reasonably near (but prior to) the Effective Date.

SECTION 6.1.2 EFFECTIVE DATE CERTIFICATE. The Administrative Agent shall have received, with counterparts for each Lender, the Effective Date Certificate, dated the Effective Date and duly executed and delivered by the chief executive officer, an Authorized Person or the Treasurer of Micro.

SECTION 6.1.3 MICRO GUARANTY. The Administrative Agent shall have received, with counterparts for each Lender, the Micro Guaranty in effect as of the Effective Date, dated the date hereof, duly executed and delivered by an Authorized Person of Micro.

SECTION 6.1.4 FINANCIAL INFORMATION, ETC. The Administrative Agent shall have received true and correct copies for each Lender, of:

(a) audited consolidated financial statements of Micro and its Consolidated Subsidiaries for the 2001 Fiscal Year, prepared in accordance with GAAP free of any Impermissible Qualifications; and

(b) unaudited consolidated financial statements for Micro and its Consolidated Subsidiaries for the first three Fiscal Periods of the 2002 Fiscal Year, prepared in accordance with GAAP.

SECTION 6.1.5 CONSENTS, ETC. The Administrative Agent shall have received evidence satisfactory to it as to the receipt by each Obligor of any necessary consents or waivers under any agreement applicable to such Obligor in order to enable such Obligor to enter into this Agreement and any other Loan Document, to perform its obligations hereunder and thereunder and, in the case of each Borrower, to obtain Credit Extensions hereunder.

SECTION 6.1.6 CLOSING FEES, EXPENSES, ETC. The Administrative Agent, its counsel, and each Joint Lead Arranger shall have received payment in full of all fees, costs, and expenses under Sections 4.3 and 11.3 to the extent (a) then due and payable and (b) unless an amount is otherwise provided by the Loan Documents or the Fee Letter and without waiving the right for subsequent reimbursement in accordance with the Loan Documents, to the extent that a reasonably detailed invoice is presented to Micro no later than two Business Days prior to the Effective Date.

SECTION 6.1.7 OPINIONS OF COUNSEL. The Administrative Agent shall have received opinions of counsel, dated the Effective Date and addressed to the Administrative Agent and all the Lenders, from:

(a) Lily Arevalo, Senior Corporate Counsel of Micro, covering the matters set forth in Exhibit K attached hereto;

(b) Davis Polk & Wardwell, special New York counsel to Micro, covering the matters set forth in Exhibit L attached hereto; and

(c) Baker & McKenzie, special Belgian counsel to Coordination Center, covering the matters set forth in Exhibit M attached hereto.

SECTION 6.1.8 SATISFACTORY LEGAL FORM. All documents executed or submitted pursuant to this Article VI by or on behalf of each Obligor shall be satisfactory in form and substance to the Administrative Agent (who may rely upon the advice of its legal counsel with respect to legal matters in making such determination), and the Administrative Agent shall have received such additional information, approvals, opinions, documents, or instruments as the Administrative Agent or the Required Lenders may reasonably request.

SECTION 6.1.9 TERMINATION OF UNCOMMITTED LC FACILITY. The Administrative Agent shall have received evidence that the \$50,000,000 uncommitted standby letter of credit line dated as of October 19, 2001, as amended as of July 30, 2002 between Micro, certain of its Subsidiaries and Scotia Capital has been, or will be, concurrently with the Effective Date, terminated in accordance with its terms.

SECTION 6.2 ALL CREDIT EXTENSIONS. The obligation of each Lender to make any Credit Extension (including the initial Credit Extension) shall be subject to the satisfaction of each of the additional conditions precedent set forth in this Section 6.2.

SECTION 6.2.1 COMPLIANCE WITH WARRANTIES, NO DEFAULT, ETC. Both before and after giving effect to such Credit Extension other than any continuation or conversion (except as otherwise set forth in the initial proviso to this section) of a Borrowing (but, if any Default of the nature referred to in Section 9.1.5 shall have occurred with respect to any other Indebtedness, without giving effect to the application, directly or indirectly, of the proceeds of such Credit Extension to such other Indebtedness), the following statements shall be true and correct:

(a) the representations and warranties of each Obligor set forth in Article VII (excluding, however, those contained in Section 7.8) and in any other Loan Document shall be true and correct with the same effect as if then made (unless stated to relate solely to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date); provided that if any of the financial statements delivered pursuant to clause (b) of Section 8.1.1 do not present fairly the consolidated financial condition of the Persons covered thereby as of the dates thereof and the results of their operations for the periods then ended and Micro subsequently delivers one or more financial statements pursuant to clause (a) or (b) of Section 8.1.1 which, in the opinion of the Required Lenders, effectively cures any omission or misstatement contained in such prior delivered financial statement, then the representation and warranty contained in Section 7.6 as it relates to such prior delivered financial statement shall be deemed satisfied for purposes hereof (it being understood and agreed that such subsequent delivered financial statements shall be deemed to have cured such earlier delivered inaccurate financial statements unless the Required Lenders raise an objection with respect thereto);

(b) except as disclosed in Item 7.8 (Litigation) of the Disclosure Schedule:

(i) no labor controversy, litigation, arbitration or governmental investigation or proceeding shall be pending or, to the knowledge of any Obligor, threatened against any Obligor, or any of their respective Consolidated Subsidiaries in respect of which there exists a reasonable possibility of an outcome that would result in a Material Adverse Effect or that would affect the legality, validity or enforceability of this Agreement or any other Loan Document; and

(ii) no development shall have occurred in any labor controversy, litigation, arbitration or governmental investigation or proceeding so disclosed in

respect of which there exists a reasonable possibility of an outcome that would result in a Material Adverse Effect;

(c) no Default shall have occurred and be continuing, and no Obligor, nor any of their respective Subsidiaries, shall be in violation of any law or governmental regulation or court order or decree which, singly or in the aggregate, results in, or would reasonably be expected to result in, a Material Adverse Effect; and

(d) the Outstanding Credit Extensions of all the Lenders do not exceed the Total Credit Commitment Amount (as such amount may be reduced from time to time pursuant to Section 2.2);

provided that in the case of any continuation or conversion of a Borrowing, no Event of Default shall have occurred and be continuing.

SECTION 6.2.2 CREDIT EXTENSION REQUEST. In the case of any Credit Extension the Administrative Agent shall have received the relevant Credit Extension Request in a timely manner as herein provided for such Credit Extension. Delivery of a Credit Extension Request and the acceptance by Micro or any other Borrower of the proceeds of any Credit Extension shall constitute a representation and warranty by each Obligor that, on the date of making such Credit Extension (both immediately before and after giving effect to the making of such Credit Extension and the application of the proceeds thereof), the statements made in Section 6.2.1 are true and correct.

SECTION 6.3 ACCEDING BORROWERS. Subject to the prior or concurrent satisfaction of the conditions precedent set forth in this Section 6.3, any Subsidiary of Micro may become a party hereto and a Borrower and an Obligor hereunder subsequent to the Effective Date (each such Subsidiary of Micro, an "Acceding Borrower"), entitled to all the rights and subject to all the obligations incident thereto.

SECTION 6.3.1 RESOLUTIONS, ETC. The Administrative Agent shall have received from such Acceding Borrower a certificate, dated the date such Acceding Borrower is accepted by the Administrative Agent as a Borrower hereunder and with counterparts for each Lender, duly executed and delivered by the Secretary, Assistant Secretary or other authorized representative of such Acceding Borrower as to:

(a) resolutions of its Board of Directors or its Executive Committee, as the case may be, then in full force and effect authorizing the execution, delivery and performance of this Agreement and the Additional Guaranty (if any) and each other Loan Document to be executed by it and, in respect of an Acceding Borrower incorporated under the laws of Belgium, a resolution of its General Shareholders Meeting specifically approving, for the purposes of article 556 of the Belgian Company Code, Section 8.1.12, Sections 9.1.4 and 9.3 (to the extent they apply to Section 8.1.12) and, insofar as required, Section 9.1.8 and (ii) evidence of the filing of such resolution with the clerk office at the commercial court where its registered office is located;

(b) the incumbency and signatures of those of its officers authorized to act with respect to this Agreement and the Additional Guaranty (if any) and each other Loan Document to be executed by it; and

(c) the Organic Documents of such Acceding Borrower,

upon which certificate each Lender may conclusively rely until the Administrative Agent shall have received a further certificate of the Secretary of such Acceding Borrower canceling or amending such prior certificate. In addition, each Acceding Borrower shall have delivered to the Administrative Agent a good standing certificate from the relevant governmental regulatory institution of its jurisdiction of organization, each such certificate to be dated a date reasonably near (but prior to) the date such Acceding Borrower becomes a Borrower hereunder.

SECTION 6.3.2 DELIVERY OF ACCESSION REQUEST AND ACKNOWLEDGMENT. The Administrative Agent shall have received (a) an original Accession Request and Acknowledgment duly completed and executed and delivered by such Acceding Borrower and (b) originals of any other instruments evidencing accession of such Acceding Borrower hereunder as the Administrative Agent may reasonably request, in each case effective as of the date such Acceding Borrower becomes a Borrower hereunder.

SECTION 6.3.3 GUARANTIES, ETC. If such Acceding Borrower has not previously delivered an Additional Guaranty pursuant to Section 8.1.10(a), and such Acceding Borrower is a Material Subsidiary, then the Administrative Agent shall have received, with counterparts for each Lender (a) an Additional Guaranty executed by such Acceding Borrower, in effect as of the date such Acceding Borrower becomes a Borrower hereunder, duly executed and delivered by an Authorized Person of such Acceding Borrower; provided that if such Acceding Borrower is a Foreign Subsidiary, such Acceding Borrower shall not be required to deliver such Additional Guaranty if and to the extent Micro, in consultation with the Administrative Agent, reasonably determines that adverse tax consequences would result therefrom, and (b) such documents as are required by Section 8.1.11, in each case effective with respect to such Acceding Borrower as of the date such Acceding Borrower becomes a Borrower hereunder.

SECTION 6.3.4 COMPLIANCE CERTIFICATE. The Administrative Agent shall have received with counterparts for each Lender, a Compliance Certificate from Micro, dated the date such Acceding Borrower becomes a Borrower hereunder.

SECTION 6.3.5 CONSENTS, ETC. The Administrative Agent shall have received evidence satisfactory to it as to the receipt by such Acceding Borrower of any necessary consents or waivers under any agreement applicable to such Acceding Borrower in order to enable such Acceding Borrower to enter into this Agreement and any other Loan Document, to perform its obligations hereunder and thereunder and to obtain Credit Extensions hereunder.

SECTION 6.3.6 OPINIONS OF COUNSEL. The Administrative Agent shall have received an opinion of counsel, dated the date such Acceding Borrower becomes a Borrower hereunder and addressed to the Agents and all the Lenders, from the Senior Corporate Counsel of Micro, or such other counsel as shall be reasonably satisfactory to the Administrative Agent, covering the matters set forth in Exhibit K attached hereto as to such Acceding Borrower.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

In order to induce the Lender Parties to enter into this Agreement and to make Credit Extensions hereunder, each Borrower represents and warrants unto the Administrative Agent and each Lender with respect to itself and the other Obligors as set forth in this Article VII.

SECTION 7.1 ORGANIZATION, ETC. Each of the Obligors and each of the respective Subsidiaries is a company or corporation, as the case may be, validly organized and existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the nature of its business requires such qualification and where the failure to so qualify and to maintain such good standing, singularly or in the aggregate, has resulted in, or would reasonably be expected to result in, a Material Adverse Effect, and has full power and authority and holds all requisite governmental licenses, permits, authorizations and other approvals to enter into and perform its Obligations under this Agreement and each other Loan Document to which it is a party and to own and hold under lease its property and to conduct its business substantially as currently conducted by it, excluding any such governmental licenses, permits or other approvals in respect of which the failure to so obtain, hold or maintain has not caused, and would not reasonably be expected to result in, a Material Adverse Effect.

SECTION 7.2 DUE AUTHORIZATION, NON-CONTRAVENTION, ETC. The execution, delivery and performance by each Obligor of this Agreement and each other Loan Document executed or to be executed by it are within such Obligor's corporate powers, have been duly authorized by all necessary corporate action, and do not:

(a) contravene such Obligor's Organic Documents;

(b) contravene any law or governmental regulation or court decree or order binding or affecting such Obligor; or

(c) result in, or require the creation or imposition of, any Lien on any of such Obligor's properties.

Micro and each of its Subsidiaries is, and after giving effect to any Borrowing or issuance of any Letter of Credit under this Agreement will be, in compliance with the limits described in the resolutions of Micro's board of directors delivered pursuant to Section 6.3.1.

SECTION 7.3 NO DEFAULT. None of the Obligors, nor any of their respective Subsidiaries, is in default in the performance of any obligation, agreement or condition contained in any bond, debenture, note, or in any indenture, loan agreement, or other agreement, in connection with or as a result of which default there exists a reasonable possibility that a Material Adverse Effect could arise. The execution, delivery and performance by each Obligor of this Agreement and each other Loan Document executed or to be executed by such Obligor will not conflict with, or constitute a breach of, or a default under, any such bond, debenture, note, indenture, loan agreement or other agreement to which any Obligor or any of their

respective Subsidiaries is a party or by which it is bound, in connection with, or as a result of which, conflict, breach or default, there exists a reasonable possibility that a Material Adverse Effect could arise.

SECTION 7.4 GOVERNMENT APPROVAL, REGULATION, ETC. No action by, and no notice to or filing with, any governmental authority or regulatory body or other Person and no payment of any stamp or similar tax, is required for the due execution, delivery, or performance by any Obligor of this Agreement or any other Loan Document to which it is a party. No Obligor (nor any of its Subsidiaries) is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 7.5 VALIDITY, ETC. This Agreement constitutes, and each other Loan Document executed by any Obligor will, on the due execution and delivery thereof, constitute, the legal, valid and binding obligations of each Obligor party thereto, enforceable against such Obligor in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally or by general principles of equity.

SECTION 7.6 FINANCIAL INFORMATION. The financial statements of Micro and its Consolidated Subsidiaries to be delivered pursuant to Section 6.1.4 will have been prepared in accordance with GAAP and present fairly (subject, in the case of such financial statements delivered pursuant to clause (b) thereof (which financial statements, in accordance with Section 1.4(a), are not required to contain certain footnote disclosures required by GAAP), to ordinary year-end adjustments) the consolidated financial condition of the Persons covered thereby as at the dates thereof and the results of their operations for the periods then ended. All the financial statements delivered pursuant to clauses (a) and (b) of Section 8.1.1 have been and will be prepared in accordance with GAAP consistently applied, and do or will present fairly (subject, in the case of such financial statements delivered pursuant to clause (b) thereof (which financial statements, in accordance with Section 1.4(a), are not required to contain certain footnote disclosures required by GAAP), to ordinary year-end adjustments) the consolidated financial condition of the Persons covered thereby as of the dates thereof and the results of their operations for the periods then ended.

SECTION 7.7 NO MATERIAL ADVERSE EFFECT. Since December 31, 2001, there has been no event or events which, singly or in the aggregate, has or have resulted, or is or are reasonably likely to result, in a Material Adverse Effect.

SECTION 7.8 LITIGATION, LABOR CONTROVERSIES, ETC. Except as disclosed in Item 7.8 (Litigation) of the Disclosure Schedule, there is no pending or, to the knowledge of any Obligor, threatened litigation, action, proceeding or labor controversy affecting any Obligor, or any of their respective Subsidiaries, or any of their respective properties, businesses, assets or revenues, in respect of which there exists a reasonable possibility of an outcome that would result in a Material Adverse Effect or that would affect the legality, validity or enforceability of this Agreement or any other Loan Document.

SECTION 7.9 SUBSIDIARIES. As of the date hereof, Micro has no Subsidiaries, except those Subsidiaries which are identified in Item 7.9 (Existing Subsidiaries) of the Disclosure Schedule and certain other Subsidiaries that are shell corporations that do not conduct any business and do not in the aggregate have a net worth exceeding \$1,000,000.

SECTION 7.10 OWNERSHIP OF PROPERTIES. Each Obligor and each of their respective Subsidiaries owns good and marketable title (or their respective equivalents in any applicable jurisdiction) to all of its properties and assets, real and personal, tangible and intangible, of any nature whatsoever, free and clear of all Liens, charges or claims except as permitted pursuant to Section 8.2.2, except where such failure or failures to own, singly or in the aggregate, has not resulted in, or would not reasonably be expected to result in, a Material Adverse Effect.

SECTION 7.11 TAXES. Each Obligor and each of their respective Subsidiaries has filed all material tax returns and reports it reasonably believes are required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except as disclosed in Item 7.11 (Taxes) of the Disclosure Schedule and except for any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books; provided that, with respect to any Subsidiary that is not a Material Subsidiary, this representation and warranty shall be satisfied if the tax returns or reports not so filed or the taxes or governmental charges owing by each such Subsidiary are not with respect to any income, sales or use tax and the amount so owing (or which would be so owing if such tax returns or reports were duly filed) with respect to all such Subsidiaries, does not exceed in the aggregate \$1,000,000 at any time and with respect to which no Material Subsidiary may be liable for payment of such amount.

SECTION 7.12 PENSION AND WELFARE PLANS. Except to the extent that any such termination, liability, penalty or fine would not (either individually or in the aggregate) reasonably be expected to have a Material Adverse Effect (a) during the twelve-consecutive-month period prior to the date hereof and prior to the date of any Credit Extension hereunder, except as disclosed in Item 7.12 (Employee Benefit Plans) of the Disclosure Schedule, no steps have been taken to terminate any Pension Plan, and no contribution failure has occurred with respect to any Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA, (b) no condition exists or event or transaction has occurred with respect to any Pension Plan which might result in the incurrence by any Obligor or any member of the related Controlled Group of any material liability with respect to any contribution thereto, fine or penalty, and (c) except as disclosed in Item 7.12 (Employee Benefit Plans) of the Disclosure Schedule, neither any Obligor nor any member of the related Controlled Group has any material contingent liability with respect to any post-retirement benefit under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

SECTION 7.13 ENVIRONMENTAL WARRANTIES.

(a) Each Obligor and each of their respective Subsidiaries has obtained all environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted, except to the extent failure to have any such permit, license or authorization

would not (either individually or in the aggregate) reasonably be expected to have a Material Adverse Effect. Each of such permits, licenses and authorizations is in full force and effect and each Obligor and each of their respective Subsidiaries is in compliance with the terms and conditions thereof, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any plan, judgment, injunction, notice or demand letter issued, entered or approved thereunder, except to the extent failure to comply therewith would not (either individually or in the aggregate) reasonably be expected to have a Material Adverse Effect.

(b) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or, to the knowledge of any Obligor, threatened by any governmental or other entity with respect to any alleged failure by any Obligor or any of their respective Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of any Obligor or any of their respective Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any Release of any Hazardous Materials generated by any Obligor or any of their respective Subsidiaries, except to the extent failure to have any such permit, license or authorization would not (either individually or in the aggregate) reasonably be expected to have a Material Adverse Effect.

SECTION 7.14 OUTSTANDING INDEBTEDNESS. As of September 28, 2002, neither Micro nor any of its Subsidiaries had any outstanding Indebtedness other than Indebtedness disclosed in Item 7.14 (Outstanding Indebtedness) of the Disclosure Schedule and Indebtedness that could be incurred pursuant to Section 8.2.1(a)(ii).

SECTION 7.15 ACCURACY OF INFORMATION.

(a) Except as provided in clause (b) below, all factual information furnished by or on behalf of any Obligor to any Lender Party for purposes of or in connection with this Agreement or any other Loan Document or any transaction contemplated hereby or thereby is, when taken as a whole, to the best of the knowledge of each Borrower, and all other factual information hereafter furnished by or on behalf of any Obligor to any Lender Party will be, when taken as a whole, to the best of the knowledge of each Borrower, true and accurate in all material respects on the date as of which such information is dated or certified and (in the case of any such information furnished prior to the date hereof) as of the date hereof (unless such information relates to an earlier date, in which case such information, when taken as a whole, shall be true and accurate in all material respects as of such earlier date), and is not, or shall not be, as the case may be, when taken as a whole, incomplete by omitting to state any material fact necessary to make such information not misleading.

(b) The information (i) in any financial projections furnished under this Agreement is and will be based upon assumptions and information believed by Micro to

be reasonable and (ii) furnished with express written disclaimers with regard to the accuracy of that information, is and shall be subject to those disclaimers.

SECTION 7.16 PATENTS, TRADEMARKS, ETC. Each Obligor and each of their respective Subsidiaries owns and possesses, or has a valid and existing license of, or other sufficient interest in, all such patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights and copyrights as is necessary for the conduct of the business of each such Obligor or its Subsidiaries as now conducted, without, to the best of the knowledge of each such Obligor, any infringement upon rights of other Persons, which infringement results in or would reasonably be expected to result in a Material Adverse Effect, and there is no license or other interest or right, the loss of which results in, or would reasonably be expected to result in, a Material Adverse Effect.

SECTION 7.17 MARGIN STOCK. No part of the proceeds of any Credit Extension shall be used at any time by any Obligor or any of their respective Subsidiaries for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock (within the meaning of Regulation U (as amended, modified, supplemented or replaced and in effect from time to time, "Regulation U") or Regulation X (as amended, modified, supplemented or replaced and in effect from time to time, "Regulation X") promulgated by the F.R.S. Board of Governors of the Federal Reserve System (together with any successor thereto, the "F.R.S. Board") or to extend credit to others for the purpose of purchasing or carrying any Margin Stock if any such use or extension of credit described in this Section 7.17 would cause any of the Lender Parties to violate the provisions of Regulation U or Regulation X. Neither any Obligor nor any of their respective Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying any such Margin Stock within the meaning of Regulation U or Regulation X. Not more than 25% of the value of the assets of any Obligor or any Subsidiary of any Obligor is, as of the date hereof, represented by Margin Stock. No part of the proceeds of any Credit Extension will be used by any Obligor or any of their respective Subsidiaries for any purpose which violates, or which is inconsistent with, any regulations promulgated by the F.R.S. Board, including Regulation U or Regulation X.

ARTICLE VIII

COVENANTS

SECTION 8.1 AFFIRMATIVE COVENANTS. Each Borrower agrees with the Agents and each Lender that, until all the Commitments have terminated and all Obligations have been paid and performed in full, each Borrower will perform its respective obligations set forth in this Section 8.1.

SECTION 8.1.1 FINANCIAL INFORMATION, REPORTS, NOTICES, ETC. Micro will furnish, or will cause to be furnished, to each Lender Party (1) promptly after filing, copies of each Form 10-K, Form 10-Q, and Form 8-K (or any respective successor forms) filed with the Securities and Exchange Commission (or any successor authority) or any national securities exchange (including, in each case, any exhibits thereto requested by any Lender Party), and (2) to the extent not disclosed in such Forms 10-K, Forms 10-Q, and Forms 8-K (or respective successor

forms) for the applicable period, copies of the following financial statements, reports, notices and information:

(a) as soon as available and in any event within 90 days after the end of each Fiscal Year of Micro, a copy of the annual audit report for such Fiscal Year for Micro and its Consolidated Subsidiaries, including therein consolidated balance sheets of Micro and its Consolidated Subsidiaries as of the end of such Fiscal Year and consolidated statements of income, stockholders' equity and cash flow of Micro and its Consolidated Subsidiaries for such Fiscal Year, setting forth in each case, in comparative form, the figures for the preceding Fiscal Year, in each case certified (without any Impermissible Qualification, except that (i) qualifications relating to pre-acquisition balance sheet accounts of Person(s) acquired by Micro or any of its Subsidiaries and (ii) statements of reliance in the auditor's opinion on another accounting firm shall not be deemed an Impermissible Qualification) in a manner satisfactory to the Securities and Exchange Commission (under applicable United States securities law) by PricewaterhouseCoopers, LLP or its successors or other independent public accountants of national reputation;

(b) as soon as available and in any event within 60 days after the end of each of the first three Fiscal Periods occurring during any Fiscal Year of Micro, a copy of the unaudited consolidated financial statements of Micro and its Consolidated Subsidiaries, consisting of (i) a balance sheet as of the close of such Fiscal Period and (ii) related statements of income and cash flows for such Fiscal Period and from the beginning of such Fiscal Year to the end of such Fiscal Period, in each case certified by an officer who is an Authorized Person of Micro as to (A) being a complete and correct copy of such financial statements which have been prepared in accordance with GAAP consistently applied as provided in Section 1.4, and (B) presenting fairly the financial position of Micro and its Consolidated Subsidiaries;

(c) at the time of delivery of each financial statement required by clause (a) or (b) above (or Form 10-Q or 10-K in lieu thereof), a certificate signed by an Authorized Person of Micro stating that no Default has occurred and is continuing (or if a Default has occurred and is continuing, and without prejudice to any rights or remedies of any Lender Party hereunder in connection therewith, a statement of the nature thereof and the action which Micro has taken or proposes to take with respect thereto);

(d) at the time of delivery of each financial statement required by clause (a) or (b) above (or Form 10-Q or 10-K in lieu thereof), a Compliance Certificate showing compliance with the financial covenants set forth in Section 8.2.3;

(e) notice of, as soon as possible after (i) the occurrence of any material adverse development with respect to any litigation, action, proceeding, or labor controversy disclosed in Item 7.8 (Litigation) of the Disclosure Schedule, or (ii) the commencement of any labor controversy, litigation, action, or proceeding of the type described in Section 7.8;

(f) promptly after the filing thereof, copies of any registration statements (other than the exhibits thereto and excluding any registration statement on Form S-8 and

any other registration statement relating exclusively to stock, bonus, option, 401(k) and other similar plans for officers, directors, and employees of Micro or any of its Subsidiaries);

(g) immediately upon becoming aware of the institution of any steps by any Obligor or any other Person to terminate any Pension Plan other than pursuant to Section 4041(b) of ERISA, or the failure to make a required contribution to any Pension Plan if such failure is sufficient to give rise to a Lien under Section 302(t) of ERISA, or the taking of any action with respect to a Pension Plan which could result in the requirement that any Obligor furnish a bond or other security to the PBGC or such Pension Plan, or the occurrence of any other event with respect to any Pension Plan which, in any such case, results in, or would reasonably be expected to result in, a Material Adverse Effect, notice thereof and copies of all documentation relating thereto;

(h) as soon as possible, and in any event within three Business Days after becoming aware of the occurrence of a Default or any inaccuracy in the financial statements delivered pursuant to clause (a) or (b) above if the result thereof is not to present fairly the consolidated financial condition of the Persons covered thereby as of the dates thereof and the results of their operations for the periods then ended, a statement of an Authorized Person of Micro setting forth the details of such Default or inaccuracy and the action which Micro has taken or proposes to take with respect thereto;

(i) in the case of each Borrower, promptly following the consummation of any transaction described in Section 8.2.5, a description in reasonable detail regarding the same;

(j) as soon as available, and in any event by March 1 of each Fiscal Year (commencing with Fiscal Year 2003), a copy of Micro's business and financial plan for Micro and its Subsidiaries for such Fiscal Year, which shall in any event include (i) on a quarterly basis projected balance sheets and income statements and (ii) a description of the material assumptions used in preparing such plan, together with projected cash flows for each such period; and

(k) such other information respecting the condition or operations, financial or otherwise, of each Borrower, or any of their respective Subsidiaries as any Lender through the Administrative Agent may from time to time reasonably request.

SECTION 8.1.2 COMPLIANCE WITH LAWS, ETC. Each Borrower will (and each Borrower will cause each of its Subsidiaries to) comply in all respects with all applicable laws, rules, regulations and orders the noncompliance with which results in, or would reasonably be expected to result in, a Material Adverse Effect, such compliance to include (without limitation):

(a) except as may be otherwise permitted pursuant to Section 8.2.5, the maintenance and preservation of its corporate existence (and in the case of Coordination Center, its status as a coordination center) in accordance with the laws of the jurisdiction of its incorporation and qualification as a foreign corporation (subject to the materiality standard referred to above); and

(b) the payment, before the same become delinquent, of all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books; provided that with respect to any Subsidiary that is not a Material Subsidiary this covenant shall be satisfied if the taxes, assessments or other governmental charges owing by each such Subsidiary (i) is not with respect to any income, sales or use tax and (ii) the amount so owing with respect to all such Subsidiaries does not exceed in the aggregate \$1,000,000 at any time.

SECTION 8.1.3 MAINTENANCE OF PROPERTIES. Each Borrower will (and each Borrower will cause each of its Subsidiaries to) maintain, preserve, protect and keep its material properties in good repair, working order and condition, and make necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times, unless such Borrower or such Subsidiary determines in good faith that the continued maintenance of any of its properties is no longer economically desirable.

SECTION 8.1.4 INSURANCE. Each Borrower will (and each Borrower will cause each of its Subsidiaries to) maintain, or cause to be maintained with responsible insurance companies or through such Borrower's own program of self-insurance, insurance with respect to its properties and business against such casualties and contingencies and of such types and in such amounts as is customary in the case of similar businesses and will, upon request of the Administrative Agent, furnish to each Lender at reasonable intervals a certificate of an Authorized Person of such Borrower setting forth the nature and extent of all insurance maintained by such Borrower and each of its Subsidiaries in accordance with this Section 8.1.4.

SECTION 8.1.5 BOOKS AND RECORDS. Each Borrower will (and each Borrower will cause each of its Subsidiaries to) keep books and records which accurately reflect all of its business affairs and transactions and permit the Administrative Agent and each Lender, or any of their respective representatives, at reasonable times and intervals and upon reasonable advance notice, to visit all of its offices, to discuss its financial matters with its officers and independent public accountants (and each Borrower hereby authorizes such independent public accountants to discuss the financial matters of such Borrower and its Subsidiaries with the Administrative Agent and each Lender or its representatives whether or not any representative of such Borrower is present; provided that an officer of such Borrower is afforded a reasonable opportunity to be present at any such discussion) and to examine any of its relevant books or other corporate records. Micro will pay all expenses associated with the exercise of any Lender Party's rights pursuant to this Section 8.1.5 at any time during the occurrence and continuance of any Event of Default.

SECTION 8.1.6 ENVIRONMENTAL COVENANT. Each Borrower will (and each Borrower will cause each of its Subsidiaries to):

(a) use and operate all of its facilities and properties in compliance with all Environmental Laws which, by their terms, apply to such use and operation, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in compliance therewith, and handle all

Hazardous Materials in compliance with all Environmental Laws which, by their terms, apply to such Hazardous Materials, in each case so that the non-compliance with any of the foregoing does not result in, or would not reasonably be expected to result in, either singly or in the aggregate, a Material Adverse Effect;

(b) immediately notify the Administrative Agent and provide copies upon receipt of all written claims, complaints, notices or inquiries relating to the condition of its facilities and properties or compliance with Environmental Laws which, singly or in the aggregate, result in, or would reasonably be expected to result in, a Material Adverse Effect, and shall promptly cure and have dismissed with prejudice any actions and proceedings relating to compliance with Environmental Laws where the failure to so cure or have dismissed, singularly or in the aggregate, results in, or would reasonably be expected to result in, a Material Adverse Effect (it being understood that this clause (b) shall not be construed to restrict any Borrower or any of its Subsidiaries from challenging or defending any such action or proceeding which it, in its sole discretion, deems advisable or necessary); and

(c) provide such information and certifications which the Administrative Agent may reasonably request from time to time to evidence compliance with this Section 8.1.6.

SECTION 8.1.7 USE OF PROCEEDS. Each Borrower shall apply the proceeds of each Credit Extension in accordance with the last recital of this Agreement and shall not use directly any such proceeds to repay the 9.875% Senior Subordinated Notes due 2008 issued by Micro or any other issuance of Indebtedness issued by Micro or any of its Subsidiaries which, by its terms, is subordinate in right of payment to the Obligations.

SECTION 8.1.8 PARI PASSU. Each Borrower shall ensure that such Borrower's Obligations rank at least pari passu with all other senior unsecured Indebtedness of such Borrower.

SECTION 8.1.9 GUARANTEE OR SURETYSHIP. If any Borrower or any of its Subsidiaries becomes a party to any contract of guarantee or suretyship which would constitute Indebtedness, or if any of its assets becomes subject to such a contract, that contract will be disclosed in the next financial information to be provided by Micro pursuant to clause (c) of Section 8.1.1; provided that any failure to comply with the disclosure obligations of this Section 8.1.9 shall not constitute a Default unless the existence of the contract or contracts of guarantee or suretyship which Micro fails to disclose would result in a Default under clause (b) of Section 8.2.3.

SECTION 8.1.10 ADDITIONAL GUARANTY.

(a) Micro may cause any of its Subsidiaries to execute and deliver from time to time in favor of the Lender Parties an Additional Guaranty for the repayment of the Obligations.

(b) Concurrently when or promptly after any of its Subsidiaries (other than any Foreign Subsidiary if and to the extent Micro, in consultation with the Administrative Agent, reasonably determines that adverse tax consequences would result therefrom)

either guarantees any Indebtedness of Micro or any other Obligor or satisfies (at any time) the requirements hereunder which describe a Material Subsidiary, Micro shall cause that Subsidiary (other than Coordination Center) to (i) execute and deliver in favor of the Lender Parties an Additional Guaranty for the repayment of the Obligations which Additional Guaranty (including, without limitation, any Additional Guaranty executed and delivered by an Acceding Borrower pursuant to Section 6.3.3) shall be in substantially the form of Exhibit I attached hereto, shall be governed by the laws of the State of New York, and shall contain such other terms and provisions as the Administrative Agent determines to be necessary or appropriate (after consulting with legal counsel) in order that such Additional Guaranty complies with local laws, rules, and regulations and is fully enforceable (at least to the extent of the form of Additional Guaranty attached as Exhibit I) against such Additional Guarantor.

SECTION 8.1.11 INTRA-GROUP AGREEMENT, ETC. In the event any Subsidiary of Micro enters into an Additional Guaranty pursuant to Section 6.3.3 or 8.1.10, an Authorized Person of such Subsidiary shall (a) in the event such Subsidiary is the first Subsidiary of Micro to enter into an Additional Guaranty, together with an Authorized Person of Micro, execute and deliver to the Administrative Agent (with counterparts for each Lender) the Intra-Group Agreement or (b) in the event the Intra-Group Agreement has previously been so executed and delivered and is then in effect, execute and deliver to the Administrative Agent (with counterparts for each Lender) such instruments and documents evidencing accession of such Subsidiary under the Intra-Group Agreement then in effect as the Administrative Agent may reasonably request. Except to add additional Subsidiaries of Micro as parties thereto, the terms of the Intra-Group Agreement shall not be amended or otherwise modified without the prior consent of the Administrative Agent on behalf of and as directed by the Required Lenders, such consent not to be unreasonably withheld. In addition, no Person a party to the Intra-Group Agreement shall assign any of its rights or obligations thereunder without the prior consent of the Administrative Agent, such consent not to be unreasonably withheld.

SECTION 8.1.12 OWNERSHIP OF BORROWERS. Micro shall at all times, directly or indirectly, hold 100% of the equity (or similar) interests of each Borrower (other than itself).

SECTION 8.2 NEGATIVE COVENANTS. Each Borrower agrees with the Agents and each Lender that, until all the Commitments have terminated and all Obligations have been paid and performed in full, each Borrower will perform its respective obligations set forth in this Section 8.2.

SECTION 8.2.1 RESTRICTION ON INCURRENCE OF INDEBTEDNESS.

(a) No Borrower will (and no Borrower will permit any of its Subsidiaries to) create, incur, assume or suffer to exist or otherwise become or be liable in respect of any Indebtedness, other than the following:

(i) Any Indebtedness arising in respect of the Credit Extensions;

(ii) Indebtedness existing as of September 28, 2002, or incurred pursuant to commitments or lines of credit in effect as of September 28, 2002, (or

any renewal or replacement thereof, so long as such renewals or replacements do not increase the amount of such Indebtedness or such commitments or lines of credit), in any case identified in Item 8.2.1(a)(ii) (Ongoing Indebtedness) of the Disclosure Schedule; and

(iii) additional Indebtedness if after giving effect to the incurrence thereof the Borrowers are in compliance with Section 8.2.3, calculated as of the date of the incurrence of such additional Indebtedness, on a pro forma basis;

provided that, notwithstanding the foregoing, Coordination Center shall not, at any time, create, incur, assume or suffer to exist or otherwise become liable in respect of any Indebtedness that is senior in right of payment to its Obligations hereunder.

(b) Micro will not at the end of any Fiscal Period permit (i) Total Indebtedness of Subsidiaries (other than Indebtedness of any Guarantor under any Loan Document and Indebtedness constituting Acquired Existing Debt and Liens) to exceed 20% of Consolidated Tangible Net Worth, or (ii) Section 8.2.2(m) to be violated.

SECTION 8.2.2 RESTRICTION ON INCURRENCE OF LIENS. No Borrower will (and no Borrower will permit any of its Subsidiaries to) create, incur, assume or suffer to exist any Lien upon any of its property, revenues or assets, whether now owned or hereafter acquired, except:

(a) Liens existing as of September 28, 2002, and identified in Item 8.2.2(a) (Existing Liens) of the Disclosure Schedule and Liens resulting from the extension, renewal or replacement of any such Liens in respect of the same property theretofore subject to such Lien; provided that (i) no property shall become subject to such extended, renewed or replacement Lien that was not subject to the Lien extended, renewed or replaced, (ii) the aggregate principal amount of Indebtedness secured by any such extended, renewed or replacement Lien shall not be increased by such extension, renewal or replacement, (iii) the Indebtedness secured by such Lien shall be incurred in compliance with the applicable terms hereof, including Section 8.2.3, and (iv) both immediately before and after giving effect thereto, no Default shall exist;

(b) Liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(c) Liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for sums not overdue or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(d) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of statutory obligations, leases and contracts (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds;

(e) Judgment Liens of an amount not exceeding at any time either 7.25% of Consolidated Tangible Net Worth at the end of the most recently ended Fiscal Period or \$80,000,000, whichever is less, in the aggregate, or with respect to which execution has been stayed or the payment of which is covered in full (subject to a customary deductible) by insurance maintained with responsible insurance companies and for which, within 30 days of such judgment, the insurance carrier has acknowledged coverage in writing;

(f) Liens on property purchased or constructed after the date hereof securing Indebtedness used to purchase or construct such property; provided that (i) no such Lien shall be created in or attach to any other asset at the time owned by Micro or any of its Subsidiaries if the aggregate principal amount of the Indebtedness secured by such property would exceed the fair market value of such property and assets, taken as a whole, (ii) the aggregate outstanding principal amount of Indebtedness secured by all such Liens shall not at any time exceed 100% of the fair market value of such property at the time of the purchase or construction thereof, and (iii) each such Lien shall have been incurred within 270 days of the purchase or completion of construction of such property;

(g) Liens resulting from utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of any Borrower or any of its Subsidiaries;

(h) Liens incurred in the normal course of business in connection with bankers' acceptance financing or used in the ordinary course of trade practices, statutory lessor and vendor privilege liens and liens in connection with ad valorem taxes not yet due, good faith bids, tenders and deposits;

(i) Liens on all goods held for sale on consignment;

(j) Liens granted by any Subsidiary of Micro in favor of Micro or in favor of another Subsidiary of Micro that is the parent of such Subsidiary granting the Lien, other than Liens granted by a Guarantor to a Subsidiary of Micro that is not a Guarantor; provided that no Person that is not a Subsidiary of Micro shall be secured by or benefit from any such Lien;

(k) Liens of the nature referred to in clause (b) of the definition of the term "Lien" and granted to a purchaser or any assignee of such purchaser which has financed the relevant purchase of Trade Accounts Receivable of any Borrower or any of their respective Subsidiaries and Liens on any related property that would ordinarily be subject to a Lien in connection therewith such as proceeds and records;

(l) Liens on Trade Accounts Receivable or interests therein of Micro or any of its Subsidiaries with respect to any accounts receivable securitization program (including any accounts receivable securitization program structured as such that remains on the consolidated balance sheet of Micro and its Consolidated Subsidiaries) and on any

related property that would ordinarily be subject to a Lien in connection therewith such as proceeds and records; and

(m) Additional Permitted Liens.

SECTION 8.2.3 FINANCIAL CONDITION. Micro will not permit any of the following:

(a) the ratio of (i) Consolidated EBITDA for any period of four consecutive Fiscal Periods to (ii) Consolidated Interest Charges for such period to be less than 3.25 to 1.0;

(b) (i) the Senior Leverage Ratio to exceed 3.50 to 1.0; and
(ii) the Leverage Ratio to exceed 4.00 to 1.0;

provided that, for purposes of calculating the preceding ratios the contribution of any Subsidiary of Micro acquired (to the extent the acquisition is treated for accounting purposes as a purchase) during those four Fiscal Periods to Consolidated EBITDA shall be calculated on a pro forma basis as if it had been a Subsidiary of Micro during all of those four Fiscal Periods; or

(c) the Consolidated Tangible Net Worth at the end of any Fiscal Period to be less than the sum of (i) 80% of Consolidated Tangible Net Worth at the end of the Fiscal Year ended nearest to December 31, 2001, plus (ii) 75% of Consolidated Net Income (without taking into account any losses incurred in any Fiscal Year) for each Fiscal Year (or portion thereof) ended thereafter that ends on or before the last day of the Fiscal Period in question plus (iii) 75% of the net proceeds of all Equity Issuances for each Fiscal Year (or portion thereof) ended thereafter that ends on or before the last day of the Fiscal Period in question.

SECTION 8.2.4 DIVIDENDS.

(a) Except as permitted by Section 8.2.4(b), Micro will not declare or pay any dividends (in cash, property, or obligations) or any other payments or distributions on account of, or set apart money for a sinking or analogous fund for, or purchase, redeem, retire or otherwise acquire for value, any shares of its capital stock now or hereafter outstanding or any warrants, options or other rights acquire the same; return any capital to its stockholders as such; or make any distribution of assets to its stockholders as such (each a "Restricted Payment").

(b) Micro shall be permitted to (i) make Restricted Payments in an aggregate amount in any calendar year that do not exceed 50% of the sum of (A) positive Consolidated Net Income for the immediately preceding Fiscal Year plus (B) all cumulative effect of changes in accounting principles and all non-cash charges related to employee related stock-based plans in each case deducted in determining Consolidated Net Income for the immediately preceding Fiscal Year, and (ii) redeem, purchase or acquire, without regard to the foregoing limitation in clause (i) above, (A) any of its capital stock up to a maximum aggregate amount of \$75,000,000 during the term of this Agreement and (B) any of its Indebtedness that is convertible into its securities (and any

such redemption, purchase or acquisition shall be excluded in determining Micro's ability to make Restricted Payments pursuant to clause (i) above), so long as, in respect of any Restricted Payment pursuant to clause (i) or (ii) above, no Default shall have occurred and be continuing or would occur after giving effect thereto, as of the date the Restricted Payment is declared, in the case of a dividend, or is made, in any other case, it being understood that any dividend declared in compliance with this Section 8.2.4(b) may be paid without contravention of this Section 8.2.4 even if a Default then exists.

SECTION 8.2.5 MERGERS, CONSOLIDATIONS, SUBSTANTIAL ASSET SALES, AND DISSOLUTIONS. No Borrower may merge or consolidate with another Person, or sell, lease, transfer, or otherwise dispose of assets constituting all or substantially all of the assets of Micro and its Consolidated Subsidiaries (taken as a whole) to another Person, or liquidate or dissolve, except for the following so long as, in each case, no Event of Default exists or would exist after giving effect to the following:

(a) An Acceding Borrower may liquidate or dissolve, or merge or consolidate with another Person, or sell, lease, transfer, or otherwise dispose of all or substantially all of its assets to another Obligor, so long as, in each case (i) an Obligor is the surviving entity of any such liquidation, dissolution, merger, or consolidation or the transferee of such assets, and (ii) Micro is the surviving entity if involved in such a merger or consolidation.

(b) Coordination Center may merge or consolidate with another Person if either (i) Coordination Center is the surviving entity or (ii) the surviving Person (A) is organized and in good standing under the laws of The Kingdom of Belgium and (B) expressly assumes Coordination Center's Obligations in a written agreement satisfactory in form and substance to the Required Lenders.

(c) Micro may merge or consolidate with another Person if:

(i) either Micro is the surviving entity or the surviving Person (A) is organized and in good standing under the laws of a State of the United States and (B) expressly assumes Micro's Obligations in a written agreement satisfactory in form and substance to the Required Lenders; and

(ii) unless Micro is the surviving entity in a merger or consolidation that does not constitute a Material Asset Acquisition, Micro delivers to the Administrative Agent, before the merger or consolidation becomes effective, a certificate of Micro's chief executive officer, chief financial officer, or Treasurer stating and demonstrating in reasonable detail that (assuming such proposed transaction had been consummated on the first day of the most recently ended period of four Fiscal Periods for which financial statements have been or are required to have been delivered pursuant to Section 8.1.1) Micro (or the other surviving Person) would have been, on a pro forma basis, in compliance with each of the covenants set forth in Section 8.2.3 as of the last day of such period.

SECTION 8.2.6 TRANSACTIONS WITH AFFILIATES. Except in the ordinary course of business, no Borrower will (and no Borrower will permit any of its Subsidiaries to), directly or indirectly, pay any funds to or for the account of, make any investment (whether by acquisition of stock or Indebtedness, by loan, advance, transfer of property, guarantee or other agreement to pay, purchase or service, directly or indirectly, any Indebtedness, or otherwise) in, lease, sell, transfer, or otherwise dispose of any assets, tangible or intangible, to, or participate in, or effect, any transaction with, any Affiliate (any such payment, investment, lease, sale, transfer, other disposition or transaction, an "Affiliate Transaction") except on an arms-length basis on terms at least as favorable to such Borrower (or such Subsidiary) as terms that could have been obtained from a third party who was not an Affiliate; provided that:

(a) the foregoing provisions of this Section 8.2.6 do not prohibit (i) agreements with or for the benefit of employees of such Borrower or any Subsidiaries regarding bridge home loans and other loans necessitated by the relocation of such Borrower's or such Subsidiary's business or employees, or regarding short-term hardship advances, (ii) loans to officers or employees of such Borrower or any of its Subsidiaries in connection with the exercise of rights under such Borrower's stock option or stock purchase plan, (iii) any such Person from declaring or paying any lawful dividend or other payment ratably in respect of all of its capital stock of the relevant class so long as, in the case of Micro, after giving effect thereto, no Default shall have occurred and be continuing, (iv) any Affiliate Transaction between Micro and any of its Subsidiaries or between any Subsidiaries of Micro, or (v) any Affiliate Transaction (other than any Affiliate Transaction described in clauses (i) through (iv) above) in which the amount involved does not exceed \$50,000; and

(b) the Borrowers shall not, nor shall they permit any of their respective Subsidiaries to, participate in effect any Affiliate Transactions otherwise permitted pursuant to this Section 8.2.6 which either individually or in the aggregate may involve obligations that are reasonably likely to have a Material Adverse Effect. The approval by the independent directors of the Board of Directors of the relevant Borrower (or the relevant Subsidiary thereof) of any Affiliate Transaction to which such Borrower (or the relevant Subsidiary thereof) is a party shall create a rebuttable presumption that such Affiliate Transaction is on an arms-length basis on terms at least as favorable to such Borrower (or the relevant Subsidiary thereof) as terms that could have been obtained from a third party who was not an Affiliate.

SECTION 8.2.7 LIMITATIONS ON ACQUISITIONS.

(a) No Borrower may make any Material Asset Acquisition unless no Event of Default exists or would exist after giving effect to the proposed Material Asset Acquisition.

(b) Without first providing the notice to the Administrative Agent and the Lenders required by this Section 8.2.7(b), the Borrowers shall not (and shall not permit their respective Subsidiaries to) acquire any outstanding stock of any U.S. or non-U.S. corporation, limited company or similar entity of which the shares constitute Margin Stock if after giving effect to such acquisition, Micro and its Affiliates shall hold, in the

aggregate, more than 5% of the total outstanding stock of the issuer of such Margin Stock, which notice shall include the name and jurisdiction of organization of such relevant issuer, the market on which such stock is traded, the total percentage of such relevant issuer's stock currently held, and the purpose for which the acquisition is being made.

(c) Notwithstanding any contrary provision in this Section 8.2.7, the Borrowers shall not (and shall not permit their respective Subsidiaries to) (i) directly or indirectly use the proceeds of any Credit Extension to make any Acquisition unless, if the board of directors of the Person to be acquired has notified Micro or any of its Subsidiaries that it opposes the offer by the proposed purchaser to acquire that Person, then that opposition has been withdrawn, or (ii) make any Acquisition unless, if the proposed Acquisition is structured as a merger or consolidation, it will be consummated in compliance with Section 8.2.5.

(d) Execution and delivery of each Continuation Notice shall constitute the relevant Borrower's representation and warranty that the Borrowers are not then in violation of Section 8.2.7(c)(i).

SECTION 8.2.8 LIMITATION ON SALE OF TRADE ACCOUNTS RECEIVABLE.

Notwithstanding anything to the contrary in this Agreement, no Borrower will (and no Borrower will permit any of its Subsidiaries to) sell, assign, grant a Lien in, or otherwise transfer any interest in its Trade Accounts Receivable to any Person if, after giving effect thereto, the ratio (expressed as a percentage) of (i) Consolidated Transferred Receivables to (ii) the sum of Consolidated Retained Receivables plus Consolidated Transferred Receivables shall exceed 55%. Micro will not permit the ratio as at the end of any Fiscal Quarter of (i) Unencumbered Trade Receivables to (ii) the total Outstanding Credit Extensions of all Lenders to be less than 4.00 to 1.0.

SECTION 8.2.9 SALE OF ASSETS. Except as provided in Section 8.2.5, no Obligor will (and no Obligor will permit any of its Subsidiaries to) Dispose of any property or assets other than in the ordinary course of business, except that:

(a) Micro or any Subsidiary of Micro may Dispose of any of its assets so long as the proceeds thereof are either (i) utilized to repay or prepay (in accordance with the provisions of Article IV) Revolving Loans (provided that in the event the amount of such proceeds shall exceed the aggregate principal amount of all Revolving Loans outstanding hereunder at such time, such excess proceeds may be utilized to repay or prepay (in accordance with the provisions hereof) other loans outstanding at such time) or (ii) so long as no Event of Default has occurred and is continuing or would occur after giving effect thereto, reinvested in one or more of the businesses in which Micro or any of its Subsidiaries is principally engaged in accordance with Section 8.2.10;

(b) Micro or any Subsidiary of Micro may Dispose of assets which are worn out, obsolete or surplus or otherwise have no further useful life to Micro or any of its Subsidiaries;

(c) so long as no Event of Default has occurred and is continuing or would occur after giving effect thereto, Micro and any Subsidiary of Micro may Dispose of assets in transactions exclusively among Micro and any of its Subsidiaries or among Subsidiaries of Micro that satisfy the requirements of Section 8.2.6; and

(d) subject to Section 8.2.8, any Borrower may (and may permit any of its Subsidiaries to) sell, assign, grant a Lien in, or otherwise transfer any interest in its Trade Accounts Receivable and related property such as proceeds and records.

For purposes of this Section 8.2.9 "Dispose" means sell, lease, transfer, or otherwise dispose of property but shall not include any public taking or condemnation, and "Disposition" has a corresponding meaning to Dispose. Such terms shall not include an exchange of assets if the assets involved in such exchange are similar in function and after giving effect to such exchange there has not been (i) a Material Adverse Effect, (ii) any material deterioration of cash flow generation from or in connection with such assets, or (iii) any material deterioration in the overall quality of plant, property, and equipment of any Obligor. An "exchange" shall be deemed to have occurred for purposes hereof if each of the transactions involved shall have been consummated within a six month period.

SECTION 8.2.10 LIMITATION ON BUSINESSES. Micro and its Subsidiaries, considered as a whole, will not engage principally in businesses other than those conducted by Micro and its Subsidiaries on the date hereof, as described in the preamble of this Agreement.

ARTICLE IX

EVENTS OF DEFAULT

SECTION 9.1 LISTING OF EVENTS OF DEFAULT. Any of the following events or occurrences described in this Section 9.1 shall constitute an "Event of Default".

SECTION 9.1.1 NON-PAYMENT OF OBLIGATIONS. A default shall occur in the payment or prepayment when due (a) by any Borrower of any principal of any Revolving Loan, (b) by any Borrower of any interest on any Revolving Loan, (c) by any Borrower of any Reimbursement Obligation or any deposit of cash for collateral purposes pursuant to Section 3.2.2 or 3.2.4 or (d) by any Guarantor of any Guaranteed Obligation (as defined in such Guarantor's Guaranty), and, in the case of clauses (b) or (d), such default shall continue unremedied for a period of five Business Days.

SECTION 9.1.2 BREACH OF WARRANTY. Any representation or warranty of any Obligor made or deemed to be made hereunder or in any other Loan Document executed by it or in any other writing or certificate furnished by or on behalf of any Obligor to the Administrative Agent or any Lender for the purposes of or in connection with this Agreement or any such other Loan Document (including any certificates delivered pursuant to Article VI) is or shall be incorrect when made in any material respect.

SECTION 9.1.3 NON-PERFORMANCE OF CERTAIN COVENANTS AND OBLIGATIONS. Any Obligor shall default in the due performance and observation of any of its obligations under Section 8.2.2 (excluding the involuntary incurrence of Liens involving individually or

collectively amounts in controversy or encumbered assets or both having a value of less than \$60,000,000 at any time, which involuntary incurrences are subject to Section 9.1.4), Section 8.2.3, Section 8.2.4, or Section 8.2.5 .

SECTION 9.1.4 NON-PERFORMANCE OF OTHER COVENANTS AND OBLIGATIONS. Any Obligor shall default in the payment when due of any fee or any other Obligation not subject to Section 9.1.1, or the due performance and observance of any other covenant, agreement or obligation contained herein or in any other Loan Document, and such default shall continue unremedied for a period of 30 days after Micro obtains actual knowledge thereof or notice thereof shall have been given to Micro by the Administrative Agent or any Lender.

SECTION 9.1.5 DEFAULT ON INDEBTEDNESS. A default shall occur in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Indebtedness of any Obligor or any of its Subsidiaries (other than Indebtedness described in Section 9.1.1 or Indebtedness which is non-recourse to any Obligor, or any Subsidiary of any Obligor) having an outstanding aggregate principal amount, for Micro and its Subsidiaries as a group, in excess of the lesser of (a) (i) 5% of Consolidated Tangible Net Worth for the then most recently ended Fiscal Period, individually, or (ii) 10% of Consolidated Tangible Net Worth for the then most recently ended Fiscal Period, when taken together with (A) all other Indebtedness under which a default (payment or otherwise) has occurred and is then continuing and (B) the Securitization Financing Amount of all Securitization Defaults described in Section 9.1.11 that have occurred and are then continuing and (b) \$35,000,000 (or the equivalent thereof in any other currency), or a default shall occur in the performance or observance of any obligation or condition with respect to such Indebtedness if the effect of such default is to cause, or (without the giving of further notice or lapse of additional time) to permit the holder or holders of such Indebtedness, or any trustee or agent for such holders to cause, the maturity of any such Indebtedness to be accelerated or such Indebtedness to be prepaid, redeemed, purchased, defeased or otherwise to become due and payable prior to its expressed maturity.

SECTION 9.1.6 JUDGMENTS. Any judgment or order for the payment of money in excess of (individually or in the aggregate), for Micro and its Subsidiaries as a group, an amount equal at any time to either 7.25% of Consolidated Tangible Net Worth at the end of the most recently ended Fiscal Period or \$80,000,000, whichever is less (or, in either case, the equivalent thereof in any other currency), shall be rendered against any Obligor or any of their respective Subsidiaries and either:

(a) enforcement proceedings shall have been commenced and be continuing by any creditor upon such judgment or order for any period of 30 consecutive days; or

(b) there shall be any period during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

SECTION 9.1.7 PENSION PLANS. Any of the following events shall occur with respect to any Pension Plan:

(a) the institution of any steps by any Obligor, any member of its Controlled Group or any other Person to terminate a Pension Plan if, as a result of such termination,

any such Obligor or any such member could be required to make a contribution in excess of \$60,000,000 (or the equivalent thereof in any other currency), to such Pension Plan, or could reasonably expect to incur a liability or obligation in excess of \$60,000,000 (or the equivalent thereof in any other currency), to such Pension Plan; or

(b) a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA.

SECTION 9.1.8 OWNERSHIP; BOARD OF DIRECTORS. Any Person or two or more Persons (excluding the Family Stockholders (as defined in the Board Representation Agreement)) acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (or any successor regulation)) of capital stock of Micro having more than 25% of the ordinary voting power of all capital stock of Micro then outstanding; and at any time during any period of 25 consecutive calendar months commencing on or after the date of this Agreement, a majority of Board of Directors of Micro shall no longer be composed of individuals (i) who were members of such Board of Directors on the first day of such period, (ii) whose election or nomination to such Board of Directors was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of such Board of Directors or (iii) whose election or nomination to such Board of Directors was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of such Board of Directors.

SECTION 9.1.9 BANKRUPTCY, INSOLVENCY, ETC. Any Obligor or any Material Subsidiary shall:

(a) become insolvent or generally fail to pay, or admit in writing its inability to pay, debts as they become due;

(b) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, administrative receiver, sequestrator, liquidator or other custodian for it, its property, or make a general assignment for the benefit of creditors;

(c) in the absence of such application, consent or acquiescence, permit or suffer to exist the appointment of a trustee, administrative receiver, receiver, sequestrator, liquidator or other custodian for it or for a substantial part of its property, and such trustee, receiver, sequestrator, liquidator or other custodian shall not be discharged within 60 days; provided that each Obligor and each Material Subsidiary hereby expressly authorizes each Lender Party to appear in any court conducting any relevant proceedings during such 60-day period to preserve, protect and defend its rights under this Agreement and the other Loan Documents;

(d) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of any Obligor or any Material Subsidiary thereof, as the case may be, and, if any such case or proceeding is not commenced by such Person, such case or proceeding shall be

consented to or acquiesced in by such Obligor or Material Subsidiary, as the case may be, or shall result in the entry of an order for relief or shall remain for 60 days unstayed or undismissed; provided that each Obligor and each Material Subsidiary hereby expressly authorizes each Lender Party to appear in any court conducting any such case or proceeding during such 60-day period to preserve, protect and defend its rights under this Agreement and the other Loan Documents; or

(e) take any action authorizing, or in furtherance of, any of the foregoing.

SECTION 9.1.10 GUARANTIES. Any of the Guaranties or any provisions thereof shall be found or held invalid or unenforceable by a court of competent jurisdiction or shall have ceased to be effective because of the merger, dissolution or liquidation of a Guarantor (other than as may result from a transaction permitted pursuant to Section 8.2.5 or by reason of a merger of Guarantor under one Guaranty into the Guarantor under another Guaranty) or any Guarantor shall have repudiated its obligations under a Guaranty.

SECTION 9.1.11 DEFAULT UNDER SECURITIZATION PROGRAMS. Any early liquidation, termination or similar event shall have occurred and be continuing under any outstanding Trade Accounts Receivable securitization program of Micro or any of its Consolidated Subsidiaries on account of the failure by Micro or any of its Subsidiaries to comply with any applicable provision in the agreements governing said program or to satisfy any condition required to be met by it thereunder (each a "Securitization Default"), the Securitization Financing Amount of which is in excess of the lesser of (a) (i) 5% of Consolidated Tangible Net Worth for the then most recently ended Fiscal Period, individually, or (ii) 10% of Consolidated Tangible Net Worth for the then most recently ended Fiscal Period, when taken together with (A) the Securitization Financing Amount of all other Securitization Defaults that have occurred and are then continuing and (B) all Indebtedness under which a default described in Section 9.1.5 has occurred and is then continuing and (b) \$35,000,000 (or the equivalent thereof in any other currency).

SECTION 9.2 ACTION IF BANKRUPTCY. If any Event of Default described in Section 9.1.9 shall occur, the Commitments (if not theretofore terminated) shall automatically terminate and the outstanding principal amount of all outstanding Revolving Loans and all other Obligations shall automatically be and become immediately due and payable, without notice or demand.

SECTION 9.3 ACTION IF OTHER EVENT OF DEFAULT. If any Event of Default (other than any Event of Default described in Section 9.1.9) shall occur for any reason, whether voluntary or involuntary, and be continuing, the Administrative Agent, upon the direction of the Required Lenders, shall by notice to Micro declare all or any portion of the outstanding principal amount of the Revolving Loans and all other Obligations to be due and payable and/or the Commitments to be terminated, whereupon the full unpaid amount of the Revolving Loans and all other Obligations which shall be so declared due and payable shall be and become immediately due and payable, without further notice, demand or presentment, and/or, as the case may be, the Commitments shall terminate.

SECTION 9.4 CASH COLLATERAL. If any Event of Default shall occur for any reason, whether voluntary or involuntary, and shall not have been cured or waived and shall be

continuing and the Obligations are or have been declared due and payable under Section 9.2 or 9.3, the Administrative Agent may apply any cash collateral held by the Administrative Agent pursuant of Section 3.2.4 to the payment of the Obligations in any order in which the Required Lenders may elect.

ARTICLE X

AGENTS

SECTION 10.1 AUTHORIZATION AND ACTIONS. Each Lender hereby appoints Scotia Capital as the Administrative Agent and ABN AMRO Bank N.V. as the Syndication Agent under, and for the purposes set forth in, this Agreement and each other Loan Document. Each Lender authorizes each Agent to act on behalf of such Lender under this Agreement and each other Loan Document and in the absence of other written instructions from the Required Lenders received from time to time by the Agents (with respect to which each Agent agrees that it will comply, except as otherwise provided in this Section 10.1 or as otherwise advised by counsel), to exercise such powers hereunder and thereunder as are specifically delegated to or required of the Agents by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto. Each Lender hereby indemnifies (which indemnity shall survive any termination of this Agreement) each Agent pro rata according to such Lender's Percentage, from and against any and all liabilities, obligations, losses, damages, claims, costs or expenses of any kind or nature whatsoever which at any time may be imposed on, incurred by, or asserted against, each Agent in any way relating to or arising out of this Agreement or any other Loan Document, including reasonable attorneys' fees, and as to which either Agent is not reimbursed by Micro or the other Obligor; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, claims, costs or expenses which are determined by a court of competent jurisdiction in a final proceeding to have resulted solely from such Agent's gross negligence or willful misconduct. No Agent shall be required to take any action hereunder or under any other Loan Document, or to prosecute or defend any suit in respect of this Agreement or any other Loan Document, unless it is indemnified hereunder to its satisfaction. If any indemnity in favor of either Agent shall be or become, in such Agent's determination, inadequate, the Administrative Agent may call additional indemnification from the Lenders and cease to do the acts indemnified against hereunder until such additional indemnity is given.

SECTION 10.2 FUNDING RELIANCE, ETC. Unless the Administrative Agent shall have been notified by telephone, confirmed in writing, by any Lender by 5:00 p.m., Applicable Time, on the Business Day prior to the making of a Revolving Loan that such Lender will not make available an amount which would constitute its Percentage of such requested Revolving Loan on the date specified therefor, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent and, in reliance upon such assumption, make available to the relevant Borrower a corresponding amount. If and to the extent that such Lender shall not have made such amount available to the Administrative Agent, such Lender and the relevant Borrower severally agree, to pay the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date the

Administrative Agent made such amount available to the relevant Borrower to the date such amount is repaid to the Administrative Agent at an annual interest rate equal to the Administrative Agent's Cost of Funds for the first day that the Administrative Agent made such amounts available and thereafter at a rate of interest equal to the interest rate applicable at the time to the requested Revolving Loan.

SECTION 10.3 EXCULPATION. Neither Agent nor any of their respective directors, officers, employees or agents shall be liable to any Lender for any action taken or omitted to be taken by it under this Agreement or any other Loan Document, or in connection herewith or therewith, except for its own willful misconduct or gross negligence, nor be responsible for any recitals or warranties herein or therein, nor for the effectiveness, enforceability, validity or due execution of this Agreement or any other Loan Document, nor to make any inquiry respecting the performance by any Obligor of its obligations hereunder or under any other Loan Document. Any such inquiry which may be made by either Agent shall not obligate it to make any further inquiry to take any action. Each Agent shall be entitled to rely upon advice of counsel concerning legal matters and upon any notice, consent, certificate, statement or writing which each such Agent believes to be genuine and to have been presented by a proper Person.

SECTION 10.4 SUCCESSOR. Either Agent may resign as such at any time upon at least 30 days' prior notice to Micro and all the Lenders. If either Agent shall at any time resign, the Required Lenders, after consultations with Micro, may appoint another Lender as a successor Administrative Agent or Syndication Agent, as the case may be, whereupon such Lender shall become the Administrative Agent or the Syndication Agent hereunder, as the case may be. If no successor Administrative Agent or Syndication Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's or Syndication Agent's giving notice of resignation, then the retiring Administrative Agent or Syndication Agent may, on behalf of the Lenders, after consultations with Micro, appoint a successor Administrative Agent or Syndication Agent, as the case may be, which shall be one of the Lenders or a commercial banking institution that is organized under the laws of the United States or any State thereof (or a branch or agency of either) and that has a combined capital and surplus of at least \$500,000,000. Upon acceptance of any appointment as Administrative Agent or Syndication Agent hereunder, as the case may be, by a successor Administrative Agent or Syndication Agent, as the case may be, such successor Administrative Agent or Syndication Agent shall be entitled to receive from the retiring Administrative Agent or Syndication Agent such documents of transfer and assignment as such successor Administrative Agent or Syndication Agent, as the case may be, may reasonably request, and shall thereupon succeed to and become vested with all rights, powers, privileges and duties of the retiring Administrative Agent or Syndication Agent, as the case may be, and the retiring Administrative Agent or Syndication Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's or Syndication Agent's resignation hereunder as the Administrative Agent or Syndication Agent, as the case may be, the provisions of:

(a) this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent or Syndication Agent under this Agreement; and

(b) Sections 11.3 and 11.4 shall continue to inure to its benefit.

SECTION 10.5 CREDIT EXTENSIONS BY AN AGENT. Each Agent shall have the same rights and powers with respect to the Credit Extensions made by it or any of its Affiliates in its capacity as a Lender and may exercise the same as if it were not an Agent hereunder. Each Agent and its respective Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with any Obligor or Subsidiary of any thereof as if it were not an Agent hereunder.

SECTION 10.6 CREDIT DECISIONS. Each Lender acknowledges that it has, independently of the Agents and each other Lender, and based on such Lender's review of the financial information of each Obligor, this Agreement, the other Loan Documents (the terms and provisions which being satisfactory to such Lender) and such other documents, information and investigations as such Lender has deemed appropriate, made its own credit decision to make available its Commitment. Each Lender also acknowledges that it will, independently of the Agents and each other Lender, and based on such other documents, information and investigations as it shall deem appropriate at any time, continue to make its own credit decisions as to exercising or not exercising from time to time any rights and privileges available to it under this Agreement or any other Loan Document.

SECTION 10.7 COPIES, ETC. The Administrative Agent shall give prompt notice to each Lender of each notice or request required or permitted to be given to the Administrative Agent by any Obligor pursuant to the terms of this Agreement or any other Loan Document (unless concurrently delivered to the Lenders by such Obligor). The Administrative Agent will distribute to each Lender each document or instrument received for its account, and copies of all other communications received by the Administrative Agent from any Obligor, for distribution to the Lenders by the Administrative Agent in accordance with the terms of this Agreement or any other Loan Document.

SECTION 10.8 JOINT LEAD ARRANGERS AND OTHER AGENTS. Anything herein to the contrary notwithstanding, the Joint Lead Arrangers and Joint Book Runners, the Syndication Agent and the Co-Documentation Agents listed on the cover page hereof shall not have any duties or responsibilities under this Agreement, except in their capacity, if any, as Administrative Agent or Lender.

ARTICLE XI

MISCELLANEOUS PROVISIONS

SECTION 11.1 WAIVERS, AMENDMENTS, ETC. The provisions of this Agreement and of each other Loan Document may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by each Borrower and the Required Lenders; provided that no such amendment, modification or waiver which would:

(a) modify any requirement hereunder that any particular action be taken by all the Lenders or by the Required Lenders shall be effective unless consented to by each Lender;

(b) modify this Section 11.1, change the definitions of "Percentage," or "Required Lenders," increase the Total Credit Commitment Amount or the Credit Commitment Amount or Percentage of any Lender, extend the Commitment Termination Date, or, subject to Section 8.2.5, release any Guarantor from any of its payment obligations under the Guaranty entered into by it, shall be made without the consent of each Lender;

(c) extend the due date for, or reduce the amount of, any scheduled repayment or prepayment of principal of or interest on any Credit Extension or the amount of any fee payable under Section 4.3 shall be made without the consent of each Lender; or

(d) affect adversely the interests, rights or obligations of the Administrative Agent or the Issuer shall be made without the consent of the Administrative Agent or the Issuer, as the case may be.

No failure or delay on the part of any Lender Party in exercising any power or right under this Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on any Obligor in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by any Lender Party under this Agreement or any other Loan Document shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

SECTION 11.2 NOTICES. Unless otherwise specified to the contrary, all notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by facsimile and addressed, delivered or transmitted to such party at its address or facsimile number set forth below its signature hereto or at such other address or facsimile number as may be designated by such party in a notice to the other parties. All notices, if mailed and properly addressed with postage prepaid or if properly addressed and sent by paid courier service, shall be deemed given when received; all notices if transmitted by facsimile shall be deemed given when transmitted and the appropriate receipt for transmission received by the sender thereof.

SECTION 11.3 PAYMENT OF COSTS AND EXPENSES. Coordination Center and Micro, jointly and severally, agree to pay on demand all reasonable expenses (inclusive of value added tax or any other similar tax imposed thereon) of the Agents (including the reasonable fees and out-of-pocket expenses of the single counsel to the Agents and of local counsel, if any, who may be retained by such counsel to the Agents) in connection with the negotiation, preparation, execution, and delivery of this Agreement and of each other Loan Document (including schedules, exhibits, and forms of any document or instrument relevant to this Agreement or any other Loan Document), and any amendments, waivers, consents, supplements, or other modifications to this Agreement or any other Loan Document as from time to time may hereafter be required, whether or not the transactions contemplated hereby are consummated.

Coordination Center and Micro, jointly and severally, further agree to pay, and to save the Lender Parties harmless from all liability for, stamp or other taxes (including, without limitation, any registration duty imposed by Belgian law) which may be payable in connection with the execution, delivery or enforcement of this Agreement or any other Loan Document, and in connection with the making of any Credit Extensions and the issuing of any Letters of Credit hereunder. Coordination Center and Micro, jointly and severally, also agree to reimburse each Lender Party upon demand for all out-of-pocket expenses (inclusive of value added tax or other similar tax imposed thereon and including attorneys' fees and legal expenses (including actual cost to such Lender Party of its in-house counsel) on a full indemnity basis) incurred by each such Lender Party in connection with (x) the negotiation of any restructuring or "work-out," whether or not consummated, of any Obligations and (y) the enforcement of any obligations, provided that Coordination Center and Micro, jointly and severally, shall reimburse each Lender Party for the fees and legal expenses of only one counsel for such Lender Party.

SECTION 11.4 INDEMNIFICATION. In consideration of the execution and delivery of this Agreement and each other Loan Document by each Lender Party and the extension of the Commitments, the Obligors hereby jointly and severally indemnify, exonerate and hold each Lender Party and each of their respective officers, directors, employees and agents (collectively, the "Indemnified Parties") free and harmless from and against any and all actions, claims, causes of action, suits, losses, costs, liabilities and damages, and expenses incurred in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), including reasonable attorneys' fees and disbursements, which shall include the actual cost to such Indemnified Party of its in-house counsel but shall not include the fees and expenses of more than one counsel to such Indemnified Party (collectively, the "Indemnified Liabilities"), incurred by Indemnified Parties or any of them as a result of, or arising out of, or relating to:

(a) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Credit Extension;

(b) the entering into and performance of this Agreement and any other Loan Document by any of the Indemnified Parties (excluding, however, any action successfully brought by or on behalf of Micro or any other Borrower with respect to any determination by any Lender not to fund any Credit Extension or not to comply with Section 11.15 or any action by the Required Lenders to terminate or reduce the Commitments or accelerate the Revolving Loans in violation of the terms of this Agreement);

(c) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by any Obligor, or any of their respective Subsidiaries of all or any portion of the stock or assets of any Person, whether or not any Indemnified Party is party thereto;

(d) any investigation, litigation, or proceeding related to any environmental cleanup, audit, compliance, or other matter relating to the protection of the environment or the Release by any Obligor (or any of their respective Subsidiaries) of any Hazardous Material; or

(e) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging, or releases from, any real property owned or operated by any Obligor (or any of their respective Subsidiaries) of any Hazardous Material (including any losses, liabilities, damages, injuries, costs, expenses, or claims asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, such Person;

except for any such Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of the relevant Indemnified Party's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Obligors hereby jointly and severally agree to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

SECTION 11.5 SURVIVAL. The obligations of Micro and each other Obligor under Sections 5.3, 5.4, 5.5, 5.7, 11.3, and 11.4, and the obligations of the Lenders under Sections 10.1 and 11.15, shall in each case survive any termination of this Agreement, the payment in full of Obligations, and the termination of the Commitments. The representations and warranties made by Micro and each other Obligor in this Agreement and in each other Loan Document shall survive the execution and delivery of this Agreement and each such other Loan Document.

SECTION 11.6 SEVERABILITY. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such Jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or such Loan Document or affecting the validity or enforceability of such provision in any other jurisdictions.

SECTION 11.7 HEADINGS. The various headings of this Agreement and of each other Loan Document are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or such other Loan Document or any provisions hereof or thereof.

SECTION 11.8 EXECUTION IN COUNTERPARTS, EFFECTIVENESS; ENTIRE AGREEMENT. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same Agreement. This Agreement shall become effective on the date when the Administrative Agent has (a) received (i) counterparts hereof executed on behalf of Micro, Coordination Center, the Agents, and each Lender or (ii) facsimile, telegraphic, or other written confirmation (in form and substance satisfactory to the Administrative Agent, who may rely upon the advice of its special counsel in making that determination) of such execution and (b) so notified the Borrowers and the Lenders; provided that no Lender shall have any obligation to make the initial Credit Extension until the date (the "Effective Date") that the applicable conditions set forth in Sections 6.1 and 6.2 have been satisfied as provided herein. The Effective Date must occur on or before 5:00 p.m., New York City time, on December 30, 2002. This Agreement and the other Loan Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and supersede any prior agreements, written or oral, with respect thereto.

SECTION 11.9 JURISDICTION.

SECTION 11.9.1 SUBMISSION; SERVICE OF PROCESS; IMMUNITY; ETC. TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW, ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF EITHER AGENT, THE LENDERS, THE ISSUER OR ANY BORROWER MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. EACH BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. EACH FOREIGN BORROWER HEREBY IRREVOCABLY APPOINTS MICRO (IN SUCH CAPACITY, THE "PROCESS AGENT"), WITH AN OFFICE ON THE DATE HEREOF AT 1600 E. ST. ANDREW PLACE, SANTA ANA, CA 92705 UNITED STATES, AS ITS AGENT TO RECEIVE, ON SUCH FOREIGN BORROWER'S BEHALF AND ON BEHALF OF SUCH FOREIGN BORROWER'S PROPERTY, SERVICE OF COPIES OF THE SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING. SUCH SERVICE MAY BE MADE BY MAILING OR DELIVERING A COPY OF SUCH PROCESS TO SUCH FOREIGN BORROWER IN CARE OF THE PROCESS AGENT AT THE PROCESS AGENT'S ABOVE ADDRESS, AND SUCH FOREIGN BORROWER IRREVOCABLY AUTHORIZES AND DIRECTS THE PROCESS AGENT TO ACCEPT SUCH SERVICE ON ITS BEHALF. AS AN ALTERNATIVE METHOD OF SERVICE, EACH BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. EACH BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT ANY BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OF FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW, EACH SUCH BORROWER HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

SECTION 11.9.2 NON-EXCLUSIVITY. Nothing in this Section 11.9 limits the right of a Lender Party to bring proceedings against an Obligor in connection with any Loan Document in any other court of competent jurisdiction, or concurrently in more than one jurisdiction.

SECTION 11.9.3 GOVERNING LAW. EACH LOAN DOCUMENT (OTHER THAN THE LETTERS OF CREDIT, TO THE EXTENT SPECIFIED BELOW AND EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN A LOAN DOCUMENT) WILL EACH BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY AND ITS PROVISIONS CONSTRUED UNDER THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK). EACH LETTER OF CREDIT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OR RULES DESIGNATED IN SUCH LETTER OF CREDIT, OR IF NO LAWS OR RULES ARE DESIGNATED, THE INTERNATIONAL STANDBY PRACTICES (ISP98--INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NUMBER 590 (THE "ISP RULES")) AND, AS TO MATTERS NOT GOVERNED BY THE ISP RULES, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

SECTION 11.10 SUCCESSORS AND ASSIGNS. This Agreement and each other Loan Document shall be binding upon and shall inure to the benefit of the parties hereto and thereto and their respective successors and assigns; provided that:

(a) no Obligor may assign or transfer its rights or obligations hereunder or under any other Loan Document without the prior written consent of all the Lender Parties;

(b) the rights of sale, assignment and transfer of the Lenders are subject to Section 11.11; and

(c) the rights of the Administrative Agent with respect to resignation or removal are subject to Section 10.4.

SECTION 11.11 ASSIGNMENTS AND TRANSFERS OF INTERESTS. No Lender may assign or sell participation interests in its Commitment or any of its Credit Extensions or any portion thereof to any Persons except in accordance with this Section 11.11.

SECTION 11.11.1 ASSIGNMENTS. Any attempted assignment or transfer by a Lender of its Credit Extensions and Commitment not made in accordance with this Section 11.11.1 shall be null and void.

(a) Any Lender may at any time assign or transfer to (i) one or more Eligible Assignees, to any of its Affiliates or to any other Lender, in each case (so long as no Event of Default exists at the time) with the consent of Micro (such consent not to be unreasonably withheld or delayed), or (ii) any Federal Reserve Bank (each Person described in any of the foregoing clauses as being the Person to whom such assignment or transfer is available to be made, being hereinafter referred to as a "Transferee Lender") all or any part of such Lender's total Credit Extensions and Commitment (which

assignment or transfer shall be of a constant, and not a varying, percentage of all the assigning Lender's Credit Extensions and Commitment) in a minimum aggregate amount equal to the lesser of (i) the entire amount of such Lender's total Credit Extensions and Commitment or (ii) \$5,000,000.

(b) Notwithstanding clause (a) above, each Obligor and Agent shall be entitled to continue to deal solely directly with such Lender in connection with the interests so assigned or transferred to a Transferee Lender unless and until (i) notice of such assignment or transfer, together with payment instructions, addresses, and related information with respect to such Transferee Lender, shall have been given to Micro and each Agent by such Lender and such Transferee Lender, (ii) such Transferee Lender shall have executed and delivered to Micro and each Agent, a Lender Assignment Agreement, and (iii) the Lender or the Transferee Lender shall have paid a \$3,500 processing fee to the Administrative Agent.

(c) From and after the effective date of such Lender Assignment Agreement (i) the Transferee Lender thereunder shall be deemed automatically to have become a party to this Agreement and (to the extent rights and obligations under this Agreement have been assigned and transferred to such Transferee Lender in connection with such Lender Assignment Agreement) shall have the rights and obligations of a Lender under this Agreement and the other Loan Documents, and (ii) the assignor Lender (to the extent that rights and obligations under this Agreement have been assigned and transferred by it in connection with such Lender Assignment Agreement) shall be released from its obligations under this Agreement and the other Loan Documents.

(d) Accrued interest and accrued fees shall be paid in respect of assigned and retained Credit Extensions and Commitments at the same time or times provided in this Agreement, notwithstanding any such assignments or transfers.

SECTION 11.11.2 PARTICIPATIONS. Any Lender may at any time sell to one or more commercial banks or other Persons (each of such commercial banks and other Persons being herein called a "Participant") participating interests in any of its Credit Extensions and Commitments hereunder; provided that:

(a) no participation contemplated in this Section 11.11.2 shall relieve such Lender from its Commitments or its other obligations hereunder or under any other Loan Document;

(b) such Lender shall remain solely responsible for the performance of its Commitments and such other obligations;

(c) each Borrower and each other Obligor and the Agents shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and each other Loan Document;

(d) no Participant, unless such Participant is an Affiliate of such Lender or is itself a Lender, shall be entitled to require such Lender to take or refrain from taking any action hereunder or under any other Loan Document, except that such Lender may agree

with any Participant that such Lender will not, without such Participant's consent, take any actions of the type described in clause (a), (b) or clause (c) of Section 11.1; and

(e) no Borrower shall be required to pay any amount under this Agreement that is greater than the amount which it would have been required to pay had no participating interest been sold.

The Borrower acknowledges and agrees that each Participant, for purposes of Sections 5.3, 5.4, 5.5, 5.7, 5.9, 5.10, 11.3, and 11.4, shall be considered a Lender.

SECTION 11.12 OTHER TRANSACTIONS. Nothing contained herein shall preclude any Lender Party from engaging in any transaction, in addition to those contemplated by this Agreement or any other Loan Document, with any Obligor or any of its Affiliates in which such Obligor or such Affiliate is not restricted hereby from engaging with any other Person.

SECTION 11.13 FURTHER ASSURANCES. Each Obligor agrees to do such further acts and things and to execute and deliver to each Lender Party such additional assignments, agreements, powers, and instruments, as such Lender Party may reasonably require or deem advisable to carry into effect the purposes of this Agreement or any other Loan Document or to better assure and confirm unto such Lender Party its rights, powers and remedies hereunder and thereunder.

SECTION 11.14 WAIVER OF JURY TRIAL. THE AGENTS, THE LENDERS, MICRO, AND EACH OTHER OBLIGOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE LENDER PARTIES, THE AGENTS OR MICRO OR ANY OTHER OBLIGOR. MICRO AND EACH OTHER OBLIGOR AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF THIS AGREEMENT AND EACH OTHER LOAN DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER PARTIES ENTERING INTO THIS AGREEMENT AND EACH SUCH OTHER LOAN DOCUMENT TO WHICH IS A PARTY.

SECTION 11.15 CONFIDENTIALITY. Each of the Lender Parties hereby severally agrees with each Borrower that it will keep confidential all information delivered to such Lender Party or on behalf of each Borrower or any of their respective Subsidiaries which information is known by such Lender Party to be proprietary in nature, concerns the terms and conditions of this Agreement or any other Loan Document, or is clearly marked or labeled or otherwise adequately identified when received by such Lender Party as being confidential information (all such information, collectively for purposes of this section, "confidential information"); provided that each Lender Party shall be permitted to deliver or disclose "confidential information": (a) to directors, officers, employees and affiliates; (b) to authorized agents, attorneys, auditors and other professional advisors retained by such Lender Party that have been apprised of such Lender Party's obligation under this Section 11.15 and have agreed to hold confidential the foregoing

information substantially in accordance with the terms of this Section 11.15; (c) in connection with the prospective assignment or transfer of all or any part of, or the sale of a participating interest in, such Lender Party's Credit Extensions and Commitment, to any prospective Transferee Lender or Participant that has been apprised of such Lender Party's obligation under this Section 11.15 has agreed to hold confidential the foregoing information in accordance with the terms of this Section 11.15; (d) to any federal or state regulatory authority having jurisdiction over such Lender Party; or (e) to any other Person to which such delivery or disclosure may be necessary or appropriate (i) to effect compliance with any law, rule, regulation or order applicable to such Lender Party, (ii) in response to any subpoena or other legal process (provided that the relevant Borrower shall be given notice of any such subpoena or other legal process as soon as possible in any event prior to production (unless provision of any such notice would result in a violation of any such subpoena or other legal process), and the Lender Party receiving such subpoena or other legal process shall cooperate with such Borrower, at such Borrower's expense, seeking a protective order to prevent or limit such disclosure), or (iii) in connection with any litigation to which such Lender Party is a party.

For purposes hereof, the term "confidential information" does not include any information that: (A) was publicly known or otherwise known by any Lender Party on a non-confidential basis from a source other than the relevant Borrower prior to the time such information is delivered or disclosed to such Lender Party by the relevant Borrower; (B) subsequently becomes publicly known through no act or omission by any Lender Party or any Person acting on behalf of any Lender Party; (C) otherwise becomes known to a Lender Party other than through disclosure by the relevant Borrower (or any Subsidiary thereof) or through someone subject, to such Lender Party's knowledge, to a duty of confidentiality to the relevant Borrower; or (D) constitutes financial statements that are otherwise publicly available.

SECTION 11.16 RELEASE OF SUBSIDIARY GUARANTORS AND ACCEDING BORROWERS.

(a) If (i) the Agents receive a certificate from the chief executive officer, the chief financial officer, or Treasurer of Micro certifying as of the date of that certificate that, after the consummation of the transaction or series of transactions described in such certificate (which certification shall also state that such transactions, individually and in the aggregate, will be in compliance with the terms and conditions of this Agreement, including, to the extent applicable, the covenants contained in Sections 8.2.5, 8.2.6, and 8.2.9, and that no Default existed, exists, or will exist, as the case may be, immediately before, as a result of, or after giving effect to such transaction or transactions and the release or termination, as the case may be, described below), the Guarantor or Acceding Borrower, as the case may be, identified in such certificate will no longer be a Subsidiary of Micro, and (ii) in the case of a Acceding Borrower, the appropriate Lender Parties have received payment in full of all principal of, interest on, reimbursement obligation in respect of, and fees related to any Outstanding Credit Extensions made by any of them in favor of such Acceding Borrower, then such Guarantor's Guaranty shall automatically terminate or such Acceding Borrower shall automatically cease to be a party to this Agreement and the other Loan Documents.

(b) No such termination or cessation shall release, reduce, or otherwise adversely affect the obligations of any other Obligor under this Agreement, any other

Guaranty, or any other Loan Document, all of which obligations continue to remain in full force and effect.

(c) Each Lender Party shall, at Micro's expense, execute such documents as Micro may reasonably request to evidence such termination or cessation, as the case may be.

SECTION 11.17 COLLATERAL. Each of the Lenders represents to the Administrative Agent and each of the other Lenders that it in good faith is not relying upon any Margin Stock as collateral in the extension or maintenance of the credit provided for in this Agreement.

REMAINDER OF PAGE INTENTIONALLY BLANK. THIS PAGE IS
FOLLOWED BY SIGNATURE PAGES FOR THE BORROWERS AS OF THE
DATE OF THIS AGREEMENT, FOLLOWED BY SEPARATE SIGNATURE
PAGES FOR THE AGENTS AND THE LENDERS.

EXECUTED as of the date first stated in this Credit Agreement.

INGRAM MICRO INC., as an Initial
Borrower and a Guarantor

INGRAM EUROPEAN COORDINATION
CENTER N.V., as an Initial Borrower

By /s/ James F. Ricketts

By /s/ Gregg Spierkel

Name: James F. Ricketts
Title: Corporate Vice President
and Treasurer

Name: Gregg Spierkel
Title: Director/Proxyholder

ADDRESS: 1600 E. St. Andrew Place
Santa Ana, CA 92705

ADDRESS: Luchthavenlaan 25A
Vilvoorde, Belgium 1800

FACSIMILE NO.: 714-566-9447

FACSIMILE NO.: 011-32-2-254-9612

ATTENTION: James F. Ricketts

ATTENTION: Karel Everaet

One of Several Signature Pages to
Credit Agreement

EXECUTED as of the date first stated in this Credit Agreement.

THE BANK OF NOVA SCOTIA,
as the Administrative Agent

By /s/ Kemp Leonard

Name: Kemp Leonard
Title: Director

ADDRESS FOR NOTICES:
600 Peach Street, N.E., Suite 2700
Atlanta, Georgia 30308

FACSIMILE NO.: (404) 888-8998

ATTENTION: Hilma Gabbidon

ADDRESS FOR PAYMENT OF FEES:
600 Peach Street, N.E., Suite 2700
Atlanta, Georgia 30308

FACSIMILE NO.: (404) 888-8998

ATTENTION: Hilma Gabbidon

One of Several Signature Pages to
Credit Agreement

EXECUTED as of the date first stated in this Credit Agreement.

ABN AMRO BANK N.V.,
as the Syndication Agent

By /s/ Maria Vickroy-Peralta

Name: Maria Vickroy-Peralta
Title: Senior Vice President and Head

By /s/ Peter Hsu

Name: Peter Hsu
Title: Vice President

One of Several Signature Pages to
Credit Agreement

EXECUTED as of the date first stated in this Credit Agreement.

PERCENTAGE -----	INITIAL COMMITMENT AMOUNT -----	
23.3333%	\$35,000,000.00	THE BANK OF NOVA SCOTIA, as a Lender

By /s/ Kemp Leonard

Name: Kemp Leonard
Title: Director

LENDING OFFICE FOR OTHER LOANS:
Scotia House
33 Finsbury Square
London EC2A1BB England
FACSIMILE NO.: (011) 44-20-76-38-8488

ADDRESS FOR NOTICES:
600 Peach Street, N.E., Suite 2700
Atlanta, Georgia 30308

FACSIMILE NO.: (404) 877-1558

ATTENTION: Loan Agency Services

ATTENTION: Hilma Gabbidon

LENDING OFFICE FOR LOANS TO MICRO:
580 California Street
San Francisco, California 94104
FACSIMILE NO.: (415) 397-0791

ADDRESS FOR PAYMENT OF FEES:
600 Peach Street, N.E., Suite 2700
Atlanta, Georgia 30308

FACSIMILE NO.: (404) 877-1558

ATTENTION: Kemp Leonard

ATTENTION: Hilma Gabbidon

One of Several Signature Pages to
Credit Agreement

EXECUTED as of the date first stated in this Credit Agreement.

PERCENTAGE	INITIAL COMMITMENT AMOUNT	
23.3333%	\$35,000,000.00	ABN AMRO BANK N.V., as a Lender

By /s/ Maria Vickroy-Peralta

Name: Maria Vickroy-Peralta
Title: Senior Vice President and Head

By /s/ Peter Hsu

Name: Peter Hsu
Title: Vice President

LENDING OFFICE FOR OTHER LOANS:
Regentlaan 53, B 1000 Brussels

ADDRESS FOR NOTICES:
Regentlaan 53, B 1000 Brussels

FACSIMILE NO.: 32-2-546-0402
TELEPHONE NO.: 32-2-546-0346
ATTENTION: Geert De Greef

FACSIMILE NO.: 32-2-546-0402
TELEPHONE NO.: 32-2-546-0579
ATTENTION: Nathalie Dumont

with a copy to:

ABN AMRO Bank, N.V.
101 California Street, Suite 4500
San Francisco, CA 94111
Attention: Mathew Harvey
Telephone: 415-984-3733
Fax: 415-362-3524

LENDING OFFICE FOR LOANS TO MICRO:
ABN AMRO Bank, N.V.
208 South LaSalle, Suite 1500
Chicago, IL 60604-1003
FACSIMILE NO.: (312) 992-5157
TELEPHONE NO.: (312) 992-5166
ATTENTION: Jeannette Rodriguez

ADDRESS FOR PAYMENT OF FEES:
Regentlaan 53, B 1000 Brussels

FACSIMILE NO.: 32-2-546-0402
TELEPHONE NO.: 32-2-546-0346
ATTENTION: Geert De Greef

One of Several Signature Pages to
Credit Agreement

EXECUTED as of the date first stated in this Credit Agreement.

PERCENTAGE -----	INITIAL COMMITMENT AMOUNT -----	
16.6666%	\$25,000,000.00	FLEET NATIONAL BANK, as a Lender

By /s/ Kevin C. Scheipe

Name: Kevin C. Scheipe
Title: Vice President

LENDING OFFICE FOR OTHER LOANS:
100 Federal Street
Boston, Massachusetts 02110
FACSIMILE NO.: (617) 434-1709

ADDRESS FOR NOTICES:
100 Federal Street
Boston, Massachusetts 02110
FACSIMILE NO.: (650) 853-1425

ATTENTION: Angela Moore

ATTENTION: K.C. Scheipe

LENDING OFFICE FOR LOANS TO MICRO:
100 Federal Street
Boston, Massachusetts 02110
FACSIMILE NO.: (617) 434-1709

ADDRESS FOR PAYMENT OF FEES:
100 Federal Street
Boston, Massachusetts 02110
FACSIMILE NO.: (617) 434-1709

ATTENTION: Angela Moore

ATTENTION: Angela Moore

One of Several Signature Pages to
Credit Agreement

EXECUTED as of the date first stated in this Credit Agreement.

PERCENTAGE	INITIAL COMMITMENT AMOUNT	
16.6666%	\$25,000,000.00	KEY CORPORATE CAPITAL, INC., as a Lender

By /s/ Julien Michaels

Name: Julien Michaels
Title: Vice President

LENDING OFFICE FOR OTHER LOANS:	ADDRESS FOR NOTICES FOR DOLLAR-DENOMINATED REVOLVING LOANS:
431 East Parkcenter Boulevard	431 East Parkcenter Boulevard
Boise, Idaho 83706	Boise, Idaho 83706
FACSIMILE NO.: (800) 297-5495	FACSIMILE NO.: (800) 297-5495

ATTENTION: Specialty Services Team

ADDRESS FOR NOTICES FOR NON
DOLLAR-DENOMINATED REVOLVING LOANS:
KeyBank National Association
OH-01-27-0417
127 Public Square
Cleveland, Ohio 44114
FACSIMILE NO.: (216) 689-0255

ATTENTION: Beth Ballard, Foreign Exchange
Dept.

LENDING OFFICE FOR LOANS TO MICRO:	ADDRESS FOR PAYMENT OF FEES:
431 East Parkcenter Boulevard	431 East Parkcenter Boulevard
Boise, Idaho 83706	Boise, Idaho 83706
FACSIMILE NO.: (800) 297-5495	FACSIMILE NO.: (800) 297-5495

ATTENTION: Specialty Services Team

One of Several Signature Pages to
Credit Agreement

EXECUTED as of the date first stated in this Credit Agreement.

PERCENTAGE -----	INITIAL COMMITMENT AMOUNT -----	
10.0000%	\$15,000,000.00	MORGAN STANLEY BANK, as a Lender

By /s/ Jaap L. Tonckens

Name: Jaap L. Tonckens
Title: Vice President

LENDING OFFICE FOR OTHER LOANS:
1633 Broadway -- 25th Floor
New York, NY 10019
FACSIMILE NO.: (212) 537-1867

ADDRESS FOR NOTICES:
1633 Broadway -- 25th Floor
New York, NY 10019
FACSIMILE NO.: (212) 537-1867

ATTENTION: Larry Benison

ATTENTION: Larry Benison

LENDING OFFICE FOR LOANS TO MICRO:
1633 Broadway -- 25th Floor
New York, NY 10019
FACSIMILE NO.: (212) 537-1867

ADDRESS FOR PAYMENT OF FEES:
1633 Broadway -- 25th Floor
New York, NY 10019
FACSIMILE NO.: (212) 537-1867

ATTENTION: Larry Benison

ATTENTION: Larry Benison

One of Several Signature Pages to
Credit Agreement

EXECUTED as of the date first stated in this Credit Agreement.

PERCENTAGE -----	INITIAL COMMITMENT AMOUNT -----	
10.0000%	\$15,000,000.00	UNION BANK OF CALIFORNIA, N.A., as a Lender

By /s/ James Heim

Name: James Heim
Title: Vice President

LENDING OFFICE FOR OTHER LOANS:
601 Potrero Grande
Monterey Park, California 91754
FACSIMILE NO.: (323) 724-6198

ATTENTION: Shirley Davis,
Note Operations

ADDRESS FOR NOTICES:
18300 Von Karman, Suite 310
Irvine, California 92612
FACSIMILE NO.: (949) 553-7122

ATTENTION: James Heim

LENDING OFFICE FOR LOANS TO MICRO:
601 Potrero Grande
Monterey Park, California 91754
FACSIMILE NO.: (323) 724-6198

ATTENTION: Shirley Davis,
Note Operations

ADDRESS FOR PAYMENT OF FEES:
601 Potrero Grande
Monterey Park, California 91754
FACSIMILE NO.: (323) 724-6198

ATTENTION: Shirley Davis,
Note Operations

One of Several Signature Pages to
Credit Agreement

February 21, 2003

To each of the Lenders
under the Credit Agreement
referred to herein

c/o The Bank of Nova Scotia,
as Administrative Agent
One Liberty Plaza, 25th Floor
New York, NY 10006

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of December 13, 2002 (the "CREDIT AGREEMENT"), among Ingram Micro Inc. ("MICRO") and Ingram Micro Coordination Center BVBA (formerly known as Ingram European Coordination Center N.V.) ("COORDINATION CENTER" and, together with Micro, the "INITIAL BORROWERS"), the various financial institutions as are, or may from time to time become, parties thereto (collectively, the "LENDERS") and The Bank of Nova Scotia as the Administrative Agent for the Lenders and ABN AMRO Bank N.V. as the Syndication Agent for the Lenders. Capitalized terms used herein without definition have the meanings given in the Credit Agreement.

The Initial Borrowers hereby request that the Lenders agree to amend the definition of "ADDITIONAL PERMITTED LIENS" in Section 1.1 of the Credit Agreement by:

(i) restating subclause (a)(i) therein in its entirety to read as follows: "(i) the sum of the Amount of Additional Liens on that date plus the amount of cash and cash equivalents or investments subject to Liens permitted by clause (c) of this definition on that date does not exceed 20% of Consolidated Tangible Net Worth on that date" and

(ii) adding a new clause (c) at the end thereof reading as follows: "and (c) Liens on cash and cash equivalents or investments (and the deposit or other accounts to which such cash and cash equivalents and investments are credited) securing obligations under any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other

interest rate, currency exchange rate or commodity price hedging agreement but only to the extent that the sum of the Amount of Additional Liens on that date plus the amount of such cash and cash equivalents or investments on that date does not exceed 20% of Consolidated Tangible Net Worth on that date."

By its execution in the place provided below, each Lender agrees that the Credit Agreement shall be amended as stated in the preceding paragraph. This letter agreement and the amendments to the Credit Agreement made hereby shall become effective as of the date hereof when the Administrative Agent shall have received from Lenders constituting the Required Lenders a counterpart hereof signed by each such party or facsimile or other written confirmation (in form satisfactory to the Administrative Agent) that such party has signed a counterpart hereof. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this letter agreement becomes effective, refer to the Credit Agreement as amended hereby.

This letter agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This letter agreement shall be governed by and construed in accordance with the laws of the State of New York.

[Remainder of this page intentionally left blank]

Very truly yours,

INGRAM MICRO INC

By /s/ James F. Ricketts

Name: James F. Ricketts
Title: Vice President and
Treasurer

INGRAM MICRO COORDINATION CENTER
BVBA (formerly known as INGRAM
EUROPEAN COORDINATION CENTER N.V.)

By /s/ Karel Everaet

Name: Karel Everaet
Title: Managing Director

Agreed to and Accepted as of the
date first written above:

THE BANK OF NOVA SCOTIA

By /s/ Chris Johnson

Name: Chris Johnson
Title: Managing Director

ABN AMRO BANK N.V.

By /s/ Peter Hsu

Name: Peter Hsu
Title: Vice President

By /s/ Maria Vickroy-Peralta

Name: Maria Vickroy-Peralta
Title: Executive Director

FLEET NATIONAL BANK

By /s/ Joan Kickhaefer

Name: Joan Kickhaefer
Title: Managing Director

KEY CORPORATE CAPITAL, INC.

By /s/ Robert W. Boswell

Name: Robert W. Boswell
Title: Vice President

MORGAN STANLEY BANK

By /s/ Jaap L. Tonckens

Name: Jaap L. Tonckens
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By /s/ James Heim

Name: James Heim
Title: Vice President

AMENDMENT NO. 1

Dated as of February 10, 2003

to

SERIES 2000-1 SUPPLEMENT

Dated as of March 8, 2000

THIS AMENDMENT NO. 1 (this "Amendment") is entered into as of February 10, 2003 by and among INGRAM FUNDING INC., as the "Company", INGRAM MICRO INC., as "Master Servicer", REDWOOD RECEIVABLES CORPORATION, as the sole "Purchaser", JPMORGAN CHASE BANK, as "Trustee" and GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as "Agent" and as sole Liquidity Bank. Capitalized terms used in this Amendment which are not otherwise defined herein shall have the meanings given such terms in the Supplement referred to below.

RECITALS:

WHEREAS, the Company, the Master Servicer, the Purchaser, the Trustee, the Agent and the Liquidity Bank are parties to a Series 2000-1 Supplement dated as of March 8, 2000 (as amended, restated, supplemented or otherwise modified from time to time, the "Supplement");

WHEREAS, the Company, the Master Servicer, the Purchaser, the Trustee, the Agent and the Liquidity Bank have agreed to amend the Supplement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the Master Servicer, the Purchaser, the Trustee, the Agent and the Liquidity Bank hereby agree as follows:

1. Amendment to Section. Effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 below, clause (iii) of Section 5.01(p) is hereby deleted in its entirety and replaced with the following:

"(iii) the Receivable Collection Turnover as of the last day of any Settlement Period shall be greater than 36 days;"

2. Conditions of Effectiveness of this Amendment. This Amendment shall become effective as of the date hereof (the "Effective Date") when, and only when, the Agent

and the Trustee shall each have received counterparts of this Amendment duly executed by each of the parties hereto and the Rating Agency Condition shall have been satisfied.

3. Representations and Warranties.

3.1 Upon the effectiveness of this Amendment, the Company and the Master Servicer each (a) hereby reaffirms in all material respects all covenants, representations and warranties made by it in the Supplement and each other Transaction Document to the extent the same are not amended hereby and except to the extent the same expressly relates solely to an earlier date, (b) agrees that all such covenants, representations and warranties shall be deemed to have been re-made as of the Effective Date of this Amendment and (c) represents and warrants that, as of the Effective Date of this Amendment and after giving effect hereto, no Early Amortization Event or Servicer Default has occurred and is continuing.

3.2 The Company and the Master Servicer each hereby represent and warrant that this Amendment and the Supplement, as amended hereby, constitute legal, valid and binding obligations of such Person (to the extent a party thereto) and are enforceable against such Person in accordance with their respective terms.

4. Reference to and Effect on Transaction Documents.

4.1 Upon the effectiveness of this Amendment pursuant to Section 2 hereof, on and after the Effective Date, each reference to the Supplement in any of the Transaction Documents shall mean and be a reference to the Supplement, as amended hereby.

4.2 Except as specifically set forth above, the Supplement, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

4.3 The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Purchaser, the Trustee, the Agent or the Liquidity Bank, nor constitute a waiver of any provision of any of the Transaction Documents, or any other documents, instruments and agreements executed and/or delivered in connection therewith.

5. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

6. Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

7. Entire Agreement. This Amendment, taken together with the Supplement and all of the other Transaction Documents, embodies the entire agreement and understanding of

the parties hereto and supersedes all prior agreements and understandings, written and oral, relating to the subject matter hereof.

8. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAWS OF THE STATE OF NEW YORK, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES).

9. No Course of Dealing. The Purchaser, the Agent, the Trustee and the Liquidity Bank have entered into this Amendment on the express understanding with the Company and the Master Servicer that in entering into this Amendment the Purchaser, the Agent, the Trustee and the Liquidity Bank are not establishing any course of dealing with the Company or the Master Servicer. The rights of the Purchaser, the Agent, the Trustee and the Liquidity Bank to require strict performance with all the terms and conditions of the Supplement as amended by this Amendment and the other Transaction Documents shall not in any way be impaired by the execution of this Amendment. None of the Purchaser, the Agent, the Trustee or the Liquidity Bank shall be obligated in any manner to execute any further amendments or waivers, and if such waivers or amendments are requested in the future, assuming the terms and conditions thereof are acceptable to them, the Purchaser, the Agent, the Trustee or the Liquidity Bank may require the payment of fees in connection therewith.

IN WITNESS WHEREOF, this Amendment No. 1 has been duly executed
as of the day and year first above written.

INGRAM FUNDING INC.

By: /s/ James F. Ricketts

Name: James F. Ricketts
Title: Treasurer

INGRAM MICRO INC., as Master
Servicer

By: /s/ James F. Ricketts

Name: James F. Ricketts
Title: Corporate Vice President
& Treasurer

JPMORGAN CHASE BANK, not in its
individual capacity but solely as
Trustee

By: /s/ Jennifer H. McCourt

Name: Jennifer H. McCourt
Title: Vice President

GENERAL ELECTRIC CAPITAL
CORPORATION, as Agent

By: /s/ Brian P. Schwinn

Name: Brian P. Schwinn
Title: Duly Authorized Signatory

REDWOOD RECEIVABLES CORPORATION, as
the sole Purchaser

By: /s/ Brian P. Schwinn

Name: Brian P. Schwinn
Title: Assistant Secretary

GENERAL ELECTRIC CAPITAL
CORPORATION, as sole Liquidity
Bank

By: /s/ Brian P. Schwinn

Name: Brian P. Schwinn
Title: Duly Authorized Signatory

Consented to this 7th day of
February, 2003

AMBAC ASSURANCE CORPORATION

By: /s/ Jennifer J. Baratta

Name: Jennifer J. Baratta
Title: Vice President

Signature Page to Amendment No. 1
to Series 2000-1 Supplement

INGRAM MICRO INC.
2001 EXECUTIVE RETENTION PLAN

AWARD AGREEMENT

This Award Agreement sets forth the terms and conditions of an Award granted pursuant to the Ingram Micro Inc. 2001 Executive Retention Plan (the "Plan") to Henri T. Koppen ("Participant"). Capitalized terms not otherwise defined in this Award Agreement shall have the meanings provided in the Plan.

SECTION 1. DATE OF AWARD. The date of the Award is April 10, 2001.

SECTION 2. REQUIRED PERFORMANCE.

(a) In the event that Participant is employed by Ingram or one of its Affiliates on March 1, 2006, and has been continuously employed by Ingram and or one or more of its Affiliates throughout such period, Participant shall be entitled to a lump sum cash retention payment in the amount specified in Section 3 below.

(b) Participant shall not be entitled to receive any payment under this Award Agreement if his employment with Ingram and its Affiliates terminates at any time prior to March 1, 2006 as a result of Participant's resignation for any reason other than his Disability.

(c) Participant shall not be entitled to receive any payment under this Award Agreement if his employment with Ingram or any of its Affiliates is terminated by Ingram or any of its Affiliates at any time prior to March 1, 2006 for: (1) Cause, or (2) Participant's refusal to accept a transfer of his principal office location to Ingram's then corporate headquarters or any of its then regional headquarters.

(d) Unless payment is precluded as specified under Sections 2(b) or (c) above, if Participant's employment with Ingram and its Affiliates is terminated prior to March 1, 2006 and such termination is: (1) initiated by Ingram or any of its Affiliates, or (2) the result of Participant's death or Disability, Participant shall be entitled to receive a prorated portion of the target payment amount specified in Section 3 below calculated by multiplying such target payment by a fraction, the numerator of which is the number of days elapsed from and including the date of the Award and ending on the date of such termination and the denominator of which is 1,786. A change in Participant's duties or a change in Participant's employer to another entity among Ingram and its Affiliates shall not be deemed a termination of employment initiated by Ingram or any of its Affiliates.

(e) As used herein, the term "Cause" means the occurrence of any one or more of the following:

- (1) A demonstrably willful and deliberate act by Participant (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith, without reasonable belief that such action or inaction is in the best interests of Ingram, and which act or inaction is not remedied within 15 business days of written notice from Ingram,

- (2) Participant's gross negligence in the performance of Participant's employment duties with Ingram or any of its Affiliates, or
- (3) Participant's conviction for committing an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude.

Notwithstanding the foregoing, Participant shall not be deemed to have been terminated for the reason set forth in clause (1) or (2) of this definition unless and until there shall have been delivered to Participant a copy of a resolution duly adopted by the affirmative vote (which cannot be delegated) of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (and after reasonable notice to Participant and an opportunity for Participant, together with Participant's counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Participant is guilty of conduct set forth above in such clauses (1) or (2) of this definition and specifying the particulars thereof in detail.

SECTION 3. TARGET PAYMENT. The target payment is One Million Seven Hundred Thousand Dollars (U.S.\$1,700,000).

SECTION 4. AMENDMENTS. This Award may be amended as provided in the Plan.

SECTION 5. PLAN. This Award is subject to all the terms of the Plan, a copy of which has been received by Participant.

SECTION 6. ACKNOWLEDGEMENTS.

(a) GENERAL. By accepting the grant of the Award evidenced hereby, Participant acknowledges that: (1) the Plan is discretionary in nature and may be amended, suspended or terminated by Ingram at any time, (2) the grant of the Award is a one-time benefit which does not create any contractual or other right to receive future Awards, or benefits in lieu of Awards, (3) all determinations with respect to any such future Awards, including, but not limited to, the times when Awards shall be granted and the terms thereof, will be at the sole discretion of Ingram, (4) Participant's participation in the Plan shall not create a right to further employment with Ingram or any of its Affiliates and shall not interfere with the ability of Ingram or any of its Affiliates to change the terms of Participant's employment or the nature or responsibilities of his position, or terminate Participant's employment relationship at any time with or without cause, (5) Participant's participation in the Plan is voluntary, (6) the value of the Award is an extraordinary item of compensation which is outside the scope of Participant's employment contract, if any, and (7) the Award is not part of normal or expected compensation for purposes of calculating any termination, severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(b) TAX REPORTING AND PAYMENT LIABILITY. Ingram will review from time to time its requirements and obligations regarding tax, social insurance and any other payroll tax ("TAX-RELATED ITEMS") withholding and reporting in connection with the Award. These requirements may change from time to time as laws or interpretations change. Regardless of Ingram's actions in this regard, Participant hereby acknowledges and agrees that the ultimate liability for any and all tax-related items is and remains his responsibility and liability and that Ingram: (1) makes no representations or undertakings regarding treatment of any tax-related items in connection with any aspect of his participation in the

Plan, and (2) has no obligation to structure the terms of the Award or any aspect of his participation in the Plan to reduce or eliminate his liability regarding tax-related items.

(c) DATA PRIVACY CONSENT. As a condition of the grant of the Award, Participant consents to the collection, use, processing and transfer of personal data as described in this paragraph. Participant understands that Ingram and its Affiliates hold certain personal information about him, including his name, home address and telephone number, date of birth, social security number or identification number, salary, nationality, job title, any shares of Ingram stock or Ingram directorships held, details of all options or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in his favor, for the purpose of managing and administering the Plan ("DATA"). Participant further understands that Ingram and/or its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of his participation in the Plan, and that Ingram and/or any of its Affiliates may each further transfer Data to any third parties assisting Ingram in the implementation, administration and management of the Plan. Participant understands that these recipients may be located in the European Economic Area, or elsewhere, such as the United States. Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan. Participant understands that he may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting his local Human Resources Department representative. Withdrawal of consent may, however, affect his ability to realize benefits from the Award.

SECTION 7. GENERAL.

(a) NOTICES. Any notice required to be delivered hereunder shall be in writing and shall be addressed

if to Ingram, to:

Ingram Micro Inc.
1600 East St. Andrew Place
Santa Ana, California 92705

Attn: General Counsel
Fax: (714) 566-9370

if to Participant, to Participant's last known address as reflected in Ingram's books and records

or such other address as such party may hereafter specify for the purpose by written notice to the other party hereto. Any such notice shall be deemed received on the date of receipt by the recipient thereof if received prior to 5p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice shall be deemed not to have been received until the next succeeding business day in the place of receipt.

(b) LEGAL FEES AND EXPENSES. Ingram shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are reasonably incurred by Participant as a result of (1) Ingram's improper refusal to pay the amounts payable in accordance herewith, (2) Ingram contesting the validity, enforceability, or interpretation of this Agreement, (3)

any conflict between the parties pertaining to this Agreement, or (4) Participant's pursuing in good faith any claim under Section 7 (i) hereof.

(c) ARBITRATION. Participant shall have the right and option to elect (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Agreement settled by arbitration, conducted before a panel of three arbitrators sitting in a location selected by Participant within 50 miles from the location of Participant's principal place of employment with Ingram, in accordance with the rules of the American Arbitration Association then in effect. Participant's election to arbitrate, as herein provided, and the decision of the arbitrators in that proceeding, shall be binding on Ingram and Participant. Judgement may be entered on the award of the arbitrator in any court having jurisdiction. All expenses of such arbitration shall be borne by Ingram to the extent they would have been borne by Ingram as provided in Section 7(b) hereof if such dispute or controversy had been resolved by litigation.

(d) UNFUNDED AGREEMENT. The obligations of Ingram under this Agreement represent an unsecured, unfunded promise to pay benefits to Participant and/or Participant's beneficiaries, and shall not entitle Participant or such beneficiaries to a preferential claim to any asset of Ingram.

(e) NO SET-OFF. Ingram's obligations to make all payments and honor all commitments under this Agreement shall be absolute and unconditional and shall not be affected by any circumstances including, without limitation, any set-off, counterclaim, recoupment, defense or other right which Ingram or any Affiliate may have against Participant.

(f) ENTIRE AGREEMENT. This Agreement represents the entire agreement between the Participant and Ingram and its Affiliates with respect to the Award, and supersedes all prior discussions, negotiations, and agreements concerning such rights.

(g) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without reference to principles of conflict of laws.

(h) COUNTERPARTS. This Agreement may be signed in several counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were on the same instrument.

(i) CLAIM REVIEW PROCEDURE. If Participant is denied benefits under this Agreement, Participant may request, in writing, a review of the denial by Ingram or its designee within 60 days of receiving written notice of the denial. Ingram shall respond in writing to a written request for review within 90 days of receipt of such request. Neither the claim procedure set forth in this Section 7(i) nor Participant's failure to adhere to such procedure shall derogate from Participant's right to enforce this Agreement through legal action, including arbitration as provided in Section 7(c).

PARTICIPANT

INGRAM MICRO INC.

/s/ Henri T. Koppen

By: /s/ Kent B. Foster

Title: Chairman & CEO

SEPARATION AGREEMENT

This Separation Agreement (this "Agreement") is made and entered into as of February 14, 2003 by and between Ingram Micro Inc., a Delaware corporation (the "Company"), and DAVID M. FINLEY ("Executive") (the Company and Executive hereinafter referred to together as the "Parties").

WHEREAS, the Parties have heretofore entered into that certain Executive Retention Agreement between the Parties dated as of January 31, 2000, attached as Exhibit A hereto (as modified by this Agreement, the "Retention Agreement").

WHEREAS, the Parties have agreed that Executive will terminate his employment with the Company on February 14, 2003.

WHEREAS, for purposes of determining Executive's payments and benefits hereunder, the Parties intend to treat the termination of Executive's employment with the Company as a "Constructive Event" within the meaning of the Retention Agreement.

WHEREAS, the purpose of this Agreement is to confirm the agreed upon terms, conditions and arrangements concerning the termination of Executive's employment with the Company.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises and agreements herein contained, the sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Resignation. Effective as of February 14, 2003 (the "Effective Date"), and subject to Executive's not revoking the Release (as defined below), (a) Executive agrees to resign all of his positions with the Company and the Company agrees to accept Executive's resignation from such positions, and (b) each of the Parties agrees to execute and deliver to the other a Release (the "Release") in the form attached hereto as Exhibit B.

2. Separation Payments.

(a) Subject to all of the terms and conditions of the Retention Agreement and any other applicable benefit or compensation plans or arrangements of the Company in which the Executive is a participant, the Company agrees to make the payments and to provide the benefits to Executive as set forth in this Section 2; provided, however, that no payments or benefits shall be paid or provided pursuant to Section 2(d) or (e), below, sooner than eight (8) days after the date on which Executive executes and delivers the Release.

(b) On the Effective Date, the Company shall pay Executive, in accordance with Section 2.04(b)(i) of the Retention Agreement, Executive's "Accrued Compensation" (as defined in Section 2.03(a) of the Retention Agreement) through and including the Effective Date; provided, however, that the Company shall reimburse Executive for his unreimbursed business expenses as soon as practicable after submission

by Executive of proper documentation in accordance with the Company's policy with respect to reimbursement of such expenses.

(c) The Company shall provide to Executive, in accordance with Section 2.04(b)(ii) of the Retention Agreement, Executive's "Accrued Benefits" (as defined in Section 2.03(a) of the Retention Agreement) through and including the Effective Date.

(d) Subject to Executive's not revoking the Release, the Company shall pay Executive, in accordance with Section 2.04(b)(iii) of the Retention Agreement, in equal installments at the times and in accordance with the applicable Company payroll system, over a period of thirteen (13) months measured from the Effective Date, the sum of Executive's "Basic Termination Benefit," "Bonus Amount" and "Basic Bonus Amount" (each as defined in Section 2.04(a)(iii), 2.03(b)(ii) and 2.03(c), respectively, of the Retention Agreement). Notwithstanding any interpretation of the Retention Agreement to the contrary, the Parties agree that this sum shall be six hundred five thousand three hundred thirty seven dollars (\$605,337.00). For purposes of this Agreement, notwithstanding any interpretation of the Retention Agreement to the contrary, the Parties agree further that the "Payment Period" pursuant to the Retention Agreement and this Agreement shall be thirteen (13) months measured from the Effective Date.

(e) Subject to Executive's not revoking the Release, the Company shall provide to Executive, in accordance with Section 2.04(b)(iv) of the Retention Agreement, Executive's "Additional Benefits" (as defined in Section 2.03(d) of the Retention Agreement and as may be modified below) through and in respect of the "Payment Period" (as set forth in Section 2(d) above). Notwithstanding any interpretation of the Retention Agreement to the contrary, the Parties agree that such Additional Benefits shall consist solely of the following:

(i) Executive's continued participation under the Company's medical care and dental plans (or any successor medical or dental plans adopted by the Company) in which Executive participates as in effect immediately prior to the Effective Date (subject to changes in coverage levels applicable to all employees generally covered by such plans), if he elects to receive continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), for the applicable period under COBRA commencing with the Effective Date; provided, however, that if Executive elects such coverage, the Company will provide such coverage at the Company's expense during the Payment Period, and Executive shall be eligible after the Payment Period to participate in the Company's retiree medical plan at his own expense in accordance with the terms and conditions of such retiree medical plan;

(ii) reimbursement of the documented costs, including laboratory and test fees, of an annual physical examination for Executive in an amount not to exceed \$1,500;

(iii) Executive's participation in the Company's Supplemental Executive Deferred Compensation Plan during the Payment Period up to the full

amount of employee contributions permitted; provided, however, that the Company will not be required to make any matching contributions with respect to Executive's contributions during the Payment Period; and

(iv) continued vesting, during the Payment Period, of outstanding stock options granted to Executive prior to the Effective Date pursuant to the Company's "Stock Plans" (as defined in Section 2.02(b) of the Retention Agreement). A summary of the status of Executive's stock options as of February 14, 2003 is attached hereto as Exhibit C.

3. Stock Option Exercises. Executive shall be entitled to exercise his stock options granted pursuant to the Company's "Stock Plans" (as defined in Section 2.02(b) of the Retention Agreement), to the extent vested, until the earlier of (a) the fifth (5th) anniversary of the Effective Date or (b) the last day of the term of such option. Any unvested stock options shall terminate automatically as of the last day of the Payment Period.

4. Long Term Incentive Plan.

(a) With respect to the Company's 2002 Long-Term Executive Cash Incentive Award Program (the "2002 LTIP"), Executive shall receive a payment equal to twenty-six thirty-sixths (26/36) of the final calculated payout amount attributable to Executive's award under the 2002 LTIP. Such payment shall be (i) made in accordance with the applicable Company payroll system at or about the same time as the Company makes payments to other participants in the 2002 LTIP and (ii) in full satisfaction of any and all amounts payable to Executive under the 2002 LTIP.

(b) With respect to the Company's 2003 Long-Term Executive Cash Incentive Award Program (the "2003 LTIP"), Executive shall receive a payment equal to fourteen thirty-sixths (14/36) of the final calculated payout amount attributable to Executive's award under the 2003 LTIP. Such payment shall be (i) made in accordance with the applicable Company payroll system at or about the same time as the Company makes payments to other participants in the 2003 LTIP and (ii) in full satisfaction of any and all amounts payable to Executive under the 2003 LTIP.

5. Attorney's fees. The Company shall pay the reasonable legal fees incurred by Executive for the services of his attorney in regard to the analysis of Executive's rights under the Retention Agreement and negotiation of this Agreement; provided, however, that the Company's obligation with respect to such legal fees shall not exceed seven thousand five hundred dollars (\$7,500.00).

6. Survival of Retention Agreement; Entire Agreement. This Agreement is intended to modify the Retention Agreement only insofar as the terms and conditions of this Agreement require. In all other respects, the Retention Agreement shall remain in effect in accordance with its terms. This Agreement and the Retention Agreement (as modified by this Agreement) constitute and are intended to constitute the entire agreement of the Parties concerning the subject matter hereof and thereof. No covenants, agreements, representations or warranties of any kind whatsoever have been made by any Party hereto, except as specifically set forth herein.

All prior discussions and negotiations with respect to the subject matter hereof and thereof are superseded by this Agreement and by the Retention Agreement (as modified by this Agreement).

7. Successors. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective principals, partners, officers, directors, shareholders, employees, trustees, trust beneficiaries, agents, independent contractors and the successors, assigns, heirs, executors, administrators and representatives of each of the foregoing.

8. Further Assurances. The Parties shall, from time to time, promptly execute and deliver such further instruments, documents and papers and perform such further acts as may be necessary or proper to carry out and effect the terms of this Agreement.

9. Headings. Headings in this Agreement are for convenience and reference only and shall not be used to construe its provisions.

10. Governing Law. This Agreement shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against any of the Parties. This Agreement and all provisions hereof shall be governed by and construed under the laws of the State of California without regard to the choice of law rules thereof.

11. Modification; Waiver. This Agreement may not be modified or terminated orally and no modification, termination or waiver shall be valid unless in writing and signed by all of the Parties. No waiver of any breach of any provision of this Agreement shall be deemed to be a waiver of any other breach of this Agreement.

12. Voluntary Execution of Agreement. Executive understands and agrees that he is receiving the amounts and benefits described in this Agreement as consideration for his execution of this Agreement and fulfillment of the covenants and promises contained herein, including without limitation his execution and nonrevocation of the Release. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of either Party. Executive acknowledges that he has had the opportunity to be represented and advised by legal counsel concerning the terms and conditions of this Agreement and his execution of it.

13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute but one and the same agreement.

14. Severability. If any provision of this Agreement, or the application thereof, is for any reason held to any extent to be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision and to execute any amendment, consent or agreement deemed necessary or desirable by the Company to effect such replacement.

[Signature Page Follows]

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents our selected consolidated financial data. The information set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical consolidated financial statements and notes thereto, included elsewhere in this Annual Report to Shareowners.

Our fiscal year is a 52- or 53-week period ending on the Saturday nearest to December 31. References below to 1998, 1999, 2000, 2001 and 2002 represent the fiscal years (52 weeks) ended January 2, 1999, January 1, 2000, December 30, 2000, December 29, 2001 and December 28, 2002, respectively.

(Dollars in 000s, except per share data)	2002	2001	2000	1999	1998
Selected Operating Information					
Net sales	\$ 22,459,265	\$ 25,186,933	\$ 30,715,149	\$ 28,068,642	\$ 22,034,038
Gross profit	1,231,638	1,329,899	1,556,298	1,336,163	1,391,168
Income from operations ⁽¹⁾	50,208	92,930	353,437	200,004	486,605
Income before income taxes, extraordinary item and cumulative effect of adoption of a new accounting standard ⁽²⁾	8,998	15,935	362,509	290,493	406,860
Income before extraordinary item and cumulative effect of adoption of a new accounting standard ⁽³⁾	5,669	9,347	223,753	179,641	245,175
Net income (loss) ⁽⁴⁾	(275,192)	6,737	226,173	183,419	245,175
Basic earnings per share – income before extraordinary item and cumulative effect of adoption of a new accounting standard	0.04	0.06	1.54	1.25	1.76
Diluted earnings per share – income before extraordinary item and cumulative effect of adoption of a new accounting standard	0.04	0.06	1.51	1.21	1.64
Basic earnings per share – net income (loss)	(1.83)	0.05	1.55	1.28	1.76
Diluted earnings per share – net income (loss)	(1.81)	0.04	1.52	1.24	1.64
Weighted average common shares outstanding:					
Basic	150,211,973	147,511,408	145,213,882	143,404,207	139,263,810
Diluted	152,145,669	150,047,807	148,640,991	147,784,712	149,537,870
Selected Balance Sheet Information ⁽⁵⁾					
Cash and cash equivalents	\$ 387,513	\$ 273,059	\$ 150,560	\$ 128,152	\$ 96,682
Total assets	5,144,354	5,302,007	6,608,982	8,271,927	6,733,404
Total debt ⁽⁶⁾	365,946	458,107	545,618	1,348,135	1,720,456
Stockholders’ equity	1,635,989	1,867,298	1,874,392	1,966,845	1,399,257

(1) Includes reorganization and other major-program costs incurred in implementing our comprehensive profit enhancement program of \$71,135 and \$45,496, respectively, in 2002; reorganization costs and special items of \$41,411 and \$22,893, respectively, in 2001; and reorganization costs of \$20,305 in 1999.

(2) Includes items noted in footnote (1) above as well as gains on sales of available-for-sale securities of \$6,535, \$111,458 and \$201,318 in 2002, 2000 and 1999, respectively.

(3) Includes reorganization and other major-program costs incurred in implementing our comprehensive profit enhancement program, net of tax benefits, of \$44,815 and \$28,662, respectively, in 2002; reorganization costs and special items, net of tax benefits, of \$25,447 and \$14,067, respectively, in 2001; and reorganization costs, net of tax benefits, of \$12,789 in 1999; and gains on sales of available-for-sale securities, net of income taxes, of \$4,117, \$69,327 and \$125,220 in 2002, 2000 and 1999, respectively.

(4) Includes the items noted in footnote (3) above as well as extraordinary gains (losses) on repurchases of debentures net of income taxes, of \$(2,610), \$2,420 and \$3,778 in 2001, 2000 and 1999, respectively, and cumulative effect of adoption of a new accounting standard, net of income taxes, of \$280,861 in 2002.

(5) All balance sheet data are given at end of period.

(6) Includes convertible debentures, senior subordinated notes, revolving credit facilities and other long-term debt including current maturities, but excludes off-balance sheet debt of \$75,000, \$222,253, \$910,188, \$262,588 and \$100,000 at the end of fiscal years 2002, 2001, 2000, 1999, and 1998, respectively, which amounts represent all of the undivided interests in transferred accounts receivable sold to and held by third parties as of the respective balance sheet dates (see Note 5 to consolidated financial statements).

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion includes forward-looking statements, including but not limited to, management’s expectations for operating income improvements from our profit enhancement program; competition; revenues, expenses and other operating results or ratios; economic conditions; liquidity; capital requirements and exchange rate fluctuations. In evaluating our business, readers should carefully consider the important factors discussed in “Cautionary Statements for the Purpose of the ‘Safe Harbor’ Provisions of the Private Securities Litigation Reform Act of 1995” included in Exhibit 99.01 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2002. We disclaim any duty to update any forward-looking statements.

Starting in 2002, we combined our United States (“U.S.”) and Canadian regions, which are now reported as our North American operations, consistent with our current management organizational structure. Our Canadian operations were previously reported under geographic regions outside U.S. and Europe, or our Other international operations. Prior year amounts have been reclassified to conform to the current year presentation.

Overview

We are the leading distributor of information technology (“IT”) products and services worldwide based on revenues. Through fiscal 2000, we generated positive annual sales growth from expansion of our existing operations, the integration of numerous acquisitions worldwide, the addition of new product categories and suppliers, the addition of new customers, increased sales to our existing customer base, and growth in the IT products and services distribution industry in general. Our net sales declined to \$25.2 billion in 2001 and \$22.5 billion in 2002 from \$30.7 billion in 2000. This decline was primarily attributable to the general decline in demand for technology products and services throughout the world, which began in the fourth quarter of 2000 and has continued to date, as well as the decision of certain vendors to pursue a direct sales model. This sluggish demand for technology products and services is expected to continue, and may worsen, over the near term.

The IT distribution industry in which we operate is characterized by narrow gross profit as a percentage of net sales (“gross margin”) and narrow income from operations as a percentage of net sales (“operating margin”). Our gross margin declined to 4.8% in 1999 from 6.3% in 1998. Initially, the margin decline was caused by intense price competition. Later however, changes in vendor terms and conditions, including, but not limited to, significant reductions in vendor rebates and incentives, tighter restrictions on our ability to return inventory to vendors, and reduced time periods qualifying for price protection, exacerbated the decline and constrained gross margin improvements. We expect these competitive pricing pressures and restrictive vendor terms and conditions to continue in the foreseeable future. To mitigate these factors, we have implemented and continue to refine changes to our pricing strategies, inventory management processes, and vendor program processes. In addition, we continue to monitor and change, as appropriate, certain of the terms and conditions offered to our customers to reflect those being imposed by our vendors. We recorded sequential improvements in gross margin in each of the past three years, reaching 5.1% in fiscal year 2000, 5.3% in 2001 and 5.5% in 2002 compared to 4.8% realized in 1999, primarily as a result of these initiatives.

We reduced selling, general and administrative expenses, or SG&A expenses, as a percentage of net sales to 3.9% in 2000 from 4.1% in 1998, reflecting the benefit of greater economies of scale. However, SG&A expenses as a percentage of net sales increased to 4.7% in 2001 and 5.0% in 2002 due to the significant decline in our net revenues during these years. As a result, we initiated a broad-based reorganization plan in June 2001 with detailed actions implemented primarily in North America and, to a limited extent, in Europe and our Other International operations to streamline operations and reorganize resources to increase flexibility, improve service and generate cost savings and operational efficiencies. This program has resulted in restructuring of several functions, consolidation of facilities and reductions of workforce worldwide through June 2002. Reorganization charges of \$41.4 million and \$8.8 million were incurred in 2001 and the first half of 2002, respectively, related to these actions.

In September 2002, we announced a comprehensive profit enhancement program, which is designed to improve operating income through enhancements in gross margins and reduction of SG&A expenses. Key components of this initiative include enhancement and/or rationalization of vendor and customer programs, optimization of facilities and systems, outsourcing of certain IT infrastructure functions, geographic consolidations and administrative restructuring.

Management Discussion and Analysis (continued)

We announced that we anticipate our profit enhancement program will result in additional implementation costs aggregating approximately \$140 million (approximately \$88 million after income taxes) through December 2003. Approximately half of the after-tax costs will require cash expenditures; the remainder will be noncash charges. These costs will consist primarily of reorganization costs and other program implementation costs charged to cost of sales and SG&A expenses ("other major-program costs"). Reorganization costs are expected to include severance expenses, lease termination costs and other costs associated with the exit of facilities or other contracts. The other major-program costs are expected to consist of program management and consulting expenses, accelerated depreciation, losses on disposals of certain assets, costs associated with geographic relocation, and inventory and vendor-program losses, primarily associated with the exit of certain businesses. In the second half of 2002, we incurred costs related to this profit enhancement program of approximately \$107.8 million, which was comprised of \$62.3 million of reorganization costs and \$45.5 million of other major-program costs.

Operational improvements from the profit enhancement program were originally expected to generate increased operating income, excluding the implementation costs, of approximately \$15 million in the second half of 2002, which we achieved, increasing by another approximately \$110 million in 2003, or \$125 million in total, and reaching a cumulative annualized run rate of approximately \$160 million by 2004. Over the life of the program, we expect that approximately one-third of the improvements will be from enhancements in gross margins with the remaining two-thirds resulting from the reduction in SG&A expenses; however, the exact breakout of the improvements in any given quarter may vary as specific programs are implemented. The operating income improvements were calculated utilizing a flat annual sales scenario for 2003 and 2004, as compared to 2002. This flat sales scenario is not intended to represent a sales projection by management, but rather was used for modeling purposes. Our actual improvements will vary depending on actual revenues.

Our cost reductions and intended profit improvement objectives under the actions discussed above are contingent upon the successful implementation of all phases of our profit enhancement program and may be mitigated by other costs, risks or uncertainties as discussed elsewhere in this report. No assurance can be given that we will be successful in generating the anticipated improvements from these actions. Furthermore, additional implementation costs may be incurred as we implement these initiatives, or in connection with new savings opportunities.

As a significant part of our profit enhancement program, in December 2002, we entered into an agreement to outsource certain IT infrastructure functions, including related personnel, with a third-party provider of IT outsourcing services. This arrangement is intended to lower ongoing IT infrastructure operating expenses and related investments as well as improve overall IT performance. These services will include mainframe, major server, desktop and enterprise storage operations, wide-area and local-area network support and engineering; systems management services; help desk services; and worldwide voice/PBX. We retained software applications development and support, as well as IT quality assurance responsibilities internally. The resulting reorganization costs and other implementation costs incurred in 2002 related to this action were included in our implementation cost estimates discussed above.

For fiscal year 2002, reorganization costs were \$71.1 million and other major-program costs were \$45.5 million. Reorganization costs included \$69.0 million related to detailed actions taken in 2002 and a net additional charge of \$2.1 million to reflect adjustments to the detailed actions taken in 2001. The reorganization charge of \$69.0 million included \$17.1 million in employee termination benefits for approximately 1,685 employees (\$6.9 million for approximately 905 employees in North America, \$8.0 million for approximately 425 employees in Europe, and \$2.2 million for approximately 355 employees in our geographic regions outside North America and Europe, or our Other International); \$42.9 million, primarily consisting of estimated lease exit costs in connection with closing, downsizing and consolidating facilities (\$38.9 million in North America, \$3.2 million in Europe and \$0.8 million in Other International); and \$9.0 million of other costs primarily due to contract terminations (\$7.0 million in North America and \$2.0 million in Europe). We anticipate that these initiatives will be completed within twelve months of the respective initiation dates. The net additional charge of \$2.1 million consisted of charges of \$2.8 million and \$0.1 million to reflect increases in the estimated losses on leases of North American facilities exited in connection with the detailed actions in the second and third quarters of 2001, respectively, credits of \$0.5 million and \$0.1 million to costs associated with the detailed actions for the third and fourth quarters of 2001, respectively, as a result of more favorable settlements of contract and lease terminations in Europe, and credits of \$0.2 million to costs associated with the detailed actions for the third quarter of 2001 as a result of lower costs of lease terminations in Other International. If it takes longer than expected to sublease these facilities, or if available sublease rates continue to decrease, the actual costs to exit these facilities could exceed our estimated accrued facility costs (see Note 3 to our consolidated financial statements).

Management Discussion and Analysis (continued)

Other major-program costs included \$43.9 million recorded as SG&A expenses (\$37.5 million in North America, \$6.0 million in Europe and \$0.4 million in Other International) primarily for accelerated depreciation, or losses on disposals of assets associated with our planned exit of facilities and outsourcing of IT infrastructure; consulting fees directly related to our profit enhancement program; recruiting, retention and related costs associated with relocated functions; and certain other related costs. Additionally, other major-program costs included \$1.6 million recorded as cost of sales, primarily comprised of incremental inventory and vendor-program related costs due to our exit from certain European markets (see Note 3 to our consolidated financial statements).

For fiscal year 2001, reorganization costs were \$41.4 million. Reorganization costs included \$16.7 million in employee termination benefits for approximately 2,150 employees (\$10.8 million for approximately 1,655 employees in North America, \$4.4 million for approximately 390 employees in Europe and \$1.5 million for approximately 105 employees in Other International); \$21.4 million, primarily consisting of estimated lease exit costs in connection with closing, downsizing and consolidating facilities (\$14.8 million in North America, \$6.4 million in Europe and \$0.2 million in Other International); and \$3.3 million of other costs primarily due to contract terminations (\$0.5 million in North America and \$2.8 million in Europe). These initiatives have been substantially completed; however, future cash outlays will be required due to severance payment terms and future lease payments related to exited facilities.

In 2001, we recorded special items of approximately \$22.9 million, which were comprised of the following charges: \$10.2 million for the write-off of electronic storefront technologies that were replaced by us with other solutions, and inventory management software, which was no longer required because of our business process and systems improvements; an impairment charge of \$3.5 million to reduce our minority equity investment in an Internet-related company to estimated net realizable value; and \$9.2 million to fully reserve for our outstanding insurance claims with an independent and unrelated former credit insurer, which went into liquidation on October 3, 2001. As of December 28, 2002, the full amount of our insurance claims had been written-off against the reserve.

The IT products and services distribution business is working capital intensive. Our business requires significant levels of working capital primarily to finance accounts receivable. We have relied heavily on trade credit from vendors, debt and accounts receivable financing programs for our working capital needs. We believe we have sufficient cash and available capital resources to meet our financing needs for at least the next twelve months.

Critical Accounting Policies and Estimates

The discussions and analyses of our consolidated financial condition and results of operations were based on our consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles in the U.S. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the financial statement date, and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we review and evaluate our estimates and assumptions, including, but not limited to, those that relate to accounts receivable; vendor programs; inventories; goodwill, intangible assets and other long-lived assets; income taxes; and contingencies and litigation. Our estimates are based on our historical experience and a variety of other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making our judgment about the carrying values of assets and liabilities that are not readily available from other sources. Actual results could differ from these estimates.

We believe the following critical accounting policies are affected by our judgment, estimates and/or assumptions used in the preparation of our consolidated financial statements.

- *Accounts Receivable* — We provide allowances for doubtful accounts on our accounts receivable, including retained interest in securitized receivables, for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, which may result in the impairment of their ability to make payments, additional allowances may be required. Our estimates are influenced by the following considerations: the large number of customers and their dispersion across wide geographic areas; the fact that no single customer accounts for 10% or more of our net sales; our continuing credit evaluation of our customers' financial conditions; aging of receivables, individually and in the aggregate; our credit insurance coverage and the value and adequacy of collateral received from our customers in certain circumstances.

Management Discussion and Analysis (continued)

- *Vendor Programs* — We receive funds from vendors for price protection, product rebates, marketing and training, product returns and promotion programs, which are generally recorded, net of direct costs, as adjustments to product costs, revenue, or SG&A expenses according to the nature of the program. Some of these programs may extend over one or more quarterly reporting periods. We accrue rebates or other vendor incentives as earned based on sales of qualifying products or as services are provided in accordance with the terms of the related program. Actual rebates may vary based on volume or other sales achievement levels, which could result in an increase or reduction in the estimated amounts previously accrued. We also provide reserves for receivables on vendor programs for estimated losses resulting from vendors' inability to pay, or rejections of such claims by vendors.
- *Inventories* — Our inventory levels are based on our projections of future demand and market conditions. Any sudden decline in demand and/or rapid product improvements and technological changes could cause us to have excess and/or obsolete inventories. On an ongoing basis, we review for estimated excess or obsolete inventories and write down our inventories to their estimated net realizable value based upon our forecasts of future demand and market conditions. If actual market conditions are less favorable than our forecasts, additional inventory reserves may be required. Our estimates are influenced by the following considerations: sudden decline in demand due to economic downturn, rapid product improvements and technological changes, aging of inventories, protection from loss in value of inventory under our vendor agreements and our ability to return to vendors only a certain percentage of our purchases.
- *Goodwill, Intangible Assets and Other Long-Lived Assets* — Effective the first quarter of 2002, we adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 142 eliminated the amortization of goodwill (\$21.0 million and \$22.0 million of amortization expense was recorded in 2001 and 2000, respectively). Instead, goodwill was reviewed for impairment upon adoption and will be reviewed at least annually thereafter. In connection with the initial impairment tests, we obtained valuations of our individual reporting units from an independent third-party valuation firm. The valuation methodologies included, but were not limited to, estimated net present value of the projected cash flows of these reporting units. As a result of these initial impairment tests, we recorded a noncash charge of \$280.9 million, net of income taxes of \$2.6 million, for the cumulative effect of adopting this new standard, to reduce the carrying value of goodwill to its fair value in accordance with FAS 142.

In the fourth quarter of 2002, we performed an impairment test of our remaining goodwill totaling \$233.9 million at December 28, 2002. In connection with this test, which is required at least annually by FAS 142, we again obtained valuations of our individual reporting units from an independent third-party valuation firm. The valuation methodologies were consistent with those used in our initial impairment tests. No additional impairment was indicated based on this test. However, if actual results are substantially lower than our projections underlying these valuations, or if market discount rates increase, this could adversely affect our future valuations and result in additional future impairment charges.

We also assess potential impairment of our goodwill, intangible assets and other long-lived assets when there is evidence that recent events or changes in circumstances have made recovery of an asset's carrying value unlikely. The amount of an impairment loss would be recognized as the excess of the asset's carrying value over its fair value. Factors which may cause impairment include significant changes in the manner of use of the acquired asset, negative industry or economic trends, and significant underperformance relative to historical or projected future operating results.

- *Income Taxes* — As part of the process of preparing our consolidated financial statements, we estimate our income taxes in each of the taxing jurisdictions in which we operate. This process involves estimating our actual current tax expense together with assessing any temporary differences resulting from the different treatment of certain items, such as the timing for recognizing revenues and expenses, for tax and financial reporting purposes. These differences may result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We are required to assess the likelihood that our deferred tax assets, which include net operating loss carryforwards and temporary differences that are expected to be deductible in future years, will be recoverable from future taxable income or other tax planning strategies. If recovery is not likely, we must provide a valuation allowance based on our estimates of future taxable income in the various taxing jurisdictions, and the amount of deferred taxes that are ultimately realizable. The provision for tax liabilities involves evaluations and judgments of uncertainties in the interpretation of complex tax regulations by various taxing authorities. In situations involving tax related uncertainties, such as our gains on sales of Softbank common stock (see Notes 2 and 8 to consolidated financial statements), we provide for deferred tax liabilities unless we consider it probable that additional taxes will not be due. Actual results could differ from our estimates.

Management Discussion and Analysis (continued)

- **Contingencies and Litigation** — There are various claims, lawsuits and pending actions against us incidental to our operations. If a loss arising from these actions is probable and can be reasonably estimated, we record the amount of the estimated loss. If the loss is estimated using a range within which no point is more probable than another, the minimum estimated liability is recorded. Based on current available information, we believe that the ultimate resolution of these actions will not have a material adverse effect on our consolidated financial statements. As additional information becomes available, we assess any potential liability related to these actions and may need to revise our estimates. Future revisions of our estimates could materially impact our consolidated results of operations, cash flows and financial position.

Results of Operations

The following table sets forth our net sales by geographic region (excluding intercompany sales) and the percentage of total net sales represented thereby, for each of the fiscal years indicated (in millions).

	2002		2001		2000	
Net sales by geographic region:						
North America	\$12,132	54.0%	\$14,882	59.1%	\$19,949	65.0%
Europe	7,150	31.8	7,157	28.4	7,472	24.3
Other International	3,177	14.2	3,148	12.5	3,294	10.7
Total	\$22,459	100.0%	\$25,187	100.0%	\$30,715	100.0%

The following table sets forth certain items from our consolidated statement of income as a percentage of net sales, for each of the fiscal years indicated.

	2002	2001	2000
Net sales	100.0%	100.0%	100.0%
Cost of sales	94.5	94.7	94.9
Gross profit	5.5	5.3	5.1
Operating Expenses:			
Selling, general and administrative	5.0	4.7	3.9
Reorganization costs	0.3	0.2	—
Special items	—	0.0	—
Income from operations	0.2	0.4	1.2
Other expense (income), net	0.2	0.3	(0.0)
Income before income taxes, extraordinary item and cumulative effect of adoption of a new accounting standard	0.0	0.1	1.2
Provision for income taxes	0.0	0.1	0.5
Income before extraordinary item and cumulative effect of adoption of a new accounting standard	0.0	0.0	0.7
Extraordinary item	—	(0.0)	0.0
Cumulative effect of adoption of a new accounting standard	(1.3)	—	—
Net income (loss)	(1.3)%	0.0%	0.7%

Year Ended December 28, 2002 Compared to Year Ended December 29, 2001

Our consolidated net sales decreased 10.8% to \$22.5 billion in 2002 from \$25.2 billion in 2001. The decrease in worldwide net sales was primarily attributable to the decline in demand for technology products and services throughout most of the world. This decline in demand initially surfaced in North America in the fourth quarter of 2000, but spread to all of our regions of operations during 2001 and continued throughout 2002, except Asia-Pacific, which experienced growth during the year. The sluggish demand for technology products and services is expected to continue, and may worsen, over the near term.

Management Discussion and Analysis (continued)

We generated approximately 41% of our net sales in fiscal 2002 from products purchased from our top three vendors. Hewlett-Packard Company ("HP") and Compaq Computer Company, which was acquired by HP in 2002, have been treated for this purpose as a single combined company since the beginning of the current year and considered one of these vendors. HP has communicated its intent to increase the level of business it transacts directly with end-users and/or resellers in certain product categories, customer segments and/or geographies. As a result, our net sales have been and could continue to be negatively affected. In addition, effective November 2002, HP implemented new contract terms and conditions which have pushed additional costs into the distribution channel by reducing existing incentives, product returns rights and price protection coverage, among other terms. To lessen the impact of these changes by HP, we continue to evaluate and make changes to our pricing policies and terms and conditions of sale to our customers. However, no assurance can be given that we will be successful in lessening the impact of these changes on our future results or that our gross margins and/or sales will not be adversely affected by these changes in terms and conditions.

Net sales from our North American operations decreased 18.5% to \$12.1 billion in 2002 from \$14.9 billion in 2001 primarily due to the continued sluggish demand for IT products and services, consistent with the continued softening of the U.S. economy, as well as the decision of certain vendors to pursue a direct sales model. Net sales from our European operations decreased approximately 4.7% in local currencies in 2002, reflecting the soft demand for technology products and services in most countries in Europe and our downsizing of operations and exit of certain markets within the region. However, when converted to U.S. dollars, our European net sales remained relatively flat at \$7.2 billion as a result of strengthening European currencies compared to the U.S. dollar. Net sales from our Other International operations increased 0.9% to \$3.2 billion from \$3.1 billion in 2001, primarily due to the growth in our Asia-Pacific region, offset by the decline in our Latin American region due to weak economic conditions prevalent in the region and the downsizing of our operations in certain markets during 2002.

Gross margin increased to 5.5% in 2002 from 5.3% in 2001. The improvement in our gross margin was primarily due to pricing policy changes we began implementing in 2000 to more appropriately reflect the value and related costs of services we provide to our customers, complemented by improvements in vendor rebates, discounts, inventory management and fee-based revenues. We also continuously evaluate and modify our pricing policies and certain of the terms and conditions offered to our customers to reflect those being imposed by our vendors and general market conditions. As we continue to evaluate our existing pricing policies and make future changes, if any, we may experience moderated or negative sales growth in the near term. In addition, the softness in most economies throughout the world, as well as increased competition may hinder our ability to maintain and/or improve gross margins from the levels realized in 2002.

Total SG&A expenses decreased 5.3%, or \$62.4 million, to \$1.1 billion in 2002. In 2002, SG&A expenses included \$43.9 million of other major-program costs (\$37.5 million in North America, \$6.0 million in Europe and \$0.4 million in Other International), consisting of accelerated depreciation or losses on disposals of assets associated with the planned exit of facilities and outsourcing of IT infrastructure; consulting fees directly associated with our profit enhancement program; recruitment, retention and costs associated with relocated functions; and other related costs. These costs were more than offset by savings resulting from our previous restructuring actions, as well as the profit enhancement program announced in September 2002, continued cost control measures, lower volume of business and the elimination of \$21.0 million of goodwill amortization expense during 2002 as a result of the adoption of a new accounting standard (see Note 2 to consolidated financial statements). However, as a result of the significant decline in our revenues and the incurrence of the major-program costs, SG&A expenses as a percentage of net sales increased to 5.0% in 2002 from 4.7% in 2001. We continue to pursue and implement business process improvements and organizational changes to create sustained cost reductions without sacrificing customer service over the long-term.

Reorganization costs for 2002 were \$71.1 million (\$55.7 million in North America, \$12.6 million in Europe and \$2.8 million in Other International) and primarily consisted of costs for facility consolidations and workforce reductions throughout the world. Reorganization costs for 2001 were \$41.4 million (\$26.1 million in North America, \$13.6 million in Europe and \$1.7 million in Other International) and primarily consisted of costs for facility consolidations in North America and Europe and workforce reductions worldwide (see Note 3 to consolidated financial statements).

In 2001, we also recorded special items of \$22.9 million, which primarily consisted of \$10.2 million for the write-off of capitalized software; \$9.2 million of reserves, which were fully utilized in 2002, recorded for claims filed with one of our prior credit insurance companies, which was liquidated in 2001; and \$3.5 million to reduce our minority equity investment in an Internet-related company to estimated net realizable value (see Note 3 to consolidated financial statements).

Management Discussion and Analysis (continued)

Income from operations as a percentage of net sales decreased to 0.2% in 2002 from 0.4% in 2001. Our North American income from operations as a percentage of net sales decreased to 0.3% in 2002 from 0.7% in 2001. Our European income from operations as a percentage of net sales was flat at 0.2% in 2002 and 2001. Our Other International income from operations as a percentage of net sales was less than 0.1% in 2002 compared to a loss from operations of 0.8% in 2001. Our income from operations in 2002 was negatively impacted by the lower volume of business as well as reorganization costs and other major-program costs, partially offset by the improvements in our gross margin as discussed above. We expect our operating margins for the fiscal year 2003 to improve over 2002 as a result of our profit enhancement program. However, the softness in most economies throughout the world, as well as increased competition, may hinder our ability to maintain and/or improve operating margins from the levels realized in 2002.

Other expense (income) consisted primarily of interest, foreign currency exchange losses, losses on sales of receivables under our ongoing accounts receivable facilities and other non-operating gains and losses. In 2002, we recorded net other expense of \$41.2 million, or 0.2% as a percentage of net sales, compared to \$77.0 million in 2001, or 0.3% as a percentage of net sales in 2001. In 2002, net other expense included a pre-tax gain of \$6.5 million arising from the sale of our remaining shares of Softbank common stock. No such transaction occurred in 2001. The remaining decrease of \$29.3 million was attributable to reduced losses on sales of receivables and lower net interest expense resulting from lower interest rates and lower average borrowings in 2002 compared to 2001, partially offset by higher foreign currency exchange losses, primarily in Latin America, in 2002 compared to 2001. The decrease in our average borrowings outstanding, including off-balance sheet debt resulting from utilization of our accounts receivable facilities, compared to prior year primarily reflects our continued focus on managing working capital as well as the overall lower volume of business.

Our effective tax rate was 37.0% in 2002 compared to 41.3% in 2001. The decrease in the 2002 effective tax rate was primarily attributable to the change in the proportion of income earned within the various taxing jurisdictions and/or tax rates applicable to such taxing jurisdictions and the elimination of goodwill amortization, a substantial portion of which was not deductible for tax purposes.

In 2001, we repurchased more than 99% of our outstanding convertible debentures with a total carrying value of \$220.8 million for \$225.0 million in cash, resulting in an extraordinary loss of \$2.6 million, net of tax benefits of \$1.6 million. No such transaction occurred in 2002.

As noted in our discussion of critical accounting policies and estimates, in the first quarter of 2002, we recorded a noncash charge of \$280.9 million, net of income taxes of \$2.6 million, for the cumulative effect of adopting FAS 142.

Year Ended December 29, 2001 Compared to Year Ended December 30, 2000

Our consolidated net sales decreased 18.0% to \$25.2 billion in 2001 from \$30.7 billion in 2000. The decrease in worldwide net sales was primarily attributable to the decline in demand for technology products and services throughout the world. This decline in demand initially surfaced in North America in the fourth quarter of 2000, but spread to all of our regions of operations during 2001.

Net sales from our North American operations decreased 25.4% to \$14.9 billion in 2001 from \$19.9 billion in 2000 primarily due to the continued sluggish demand for IT products and services, consistent with the continued softening of the U.S. economy. Net sales from our European operations were flat in local currencies in 2001, reflecting the soft demand for technology products and services in most countries in Europe, but when converted to U.S. dollars, our net sales decreased 4.2% to \$7.2 billion in 2001 from \$7.5 billion in 2000 as a result of weaker European currencies as compared to the U.S. dollar. For our Other International operations, net sales decreased 4.4% to \$3.1 billion in 2001 from \$3.3 billion in 2000, primarily due to overall softness in demand for technology products and services in our Asia-Pacific region and our tighter control of growth in this region as we developed our infrastructure. Our Latin American region, however, experienced moderate sales growth in 2001 compared to 2000 primarily due to the growth of our customer base in the region.

Gross margin increased to 5.3% in 2001 from 5.1% in 2000. The improvement in our gross margin was primarily due to pricing policy changes we initiated during 2000 to more appropriately reflect the value and related costs of services we provide to our customers, complemented by improvements in vendor rebates, discounts and fee-based revenues.

Management Discussion and Analysis (continued)

Total SG&A expenses decreased 2.5%, or \$30.2 million, to \$1.2 billion in 2001. The decrease in our SG&A expenses was attributable primarily to the savings that resulted from our reorganization efforts during fiscal year 2001 discussed below, our continued cost control measures, and the lower volume of business. However, as a result of the significant decline in our revenues, SG&A expenses as a percentage of net sales increased to 4.7% in 2001 from 3.9% in 2000.

Reorganization costs for 2001 were \$41.4 million (\$26.1 million in North America, \$13.6 million in Europe and \$1.7 million in Other International) and primarily consisted of costs of facility consolidations in North America and Europe and headcount reductions worldwide. No reorganization costs were incurred in 2000. In 2001, we also recorded special items of \$22.9 million, which primarily consisted of \$10.2 million for the write-off of capitalized software; \$9.2 million of reserves, which were fully utilized in 2002, recorded for claims filed with an independent and unrelated former credit insurance company, which was liquidated in 2001; and \$3.5 million to reduce our minority equity investment in an Internet-related company to estimated net realizable value (see Note 3 to consolidated financial statements).

Income from operations as a percentage of net sales decreased to 0.4% in 2001 compared to 1.2% in 2000. Our North American income from operations as a percentage of net sales decreased to 0.7% in 2001 compared with 1.5% in 2000. Our European income from operations as a percentage of net sales decreased to 0.2% in 2001 from 0.7% in 2000. Our Other International loss from operations as a percentage of net sales was 0.8% in 2001 compared to income from operations of 0.1% in 2000. Our income from operations was negatively impacted by lower volume of business, reorganization costs and special items and the increase in SG&A expenses as a percentage of net sales, partially offset by our improvement in gross margin, all of which are discussed above.

Other expense (income) consisted primarily of interest, foreign currency exchange losses, losses on sales of receivables under our ongoing accounts receivable facilities, and other non-operating gains and losses. In 2001, we recorded \$77.0 million of net other expense, or 0.3% as a percentage of net sales, compared to net other income of \$9.1 million in 2000, or less than 0.1% as a percentage of net sales. The income in 2000 primarily resulted from our sale of approximately 15% of our original holdings of Softbank common stock for a pre-tax gain of approximately \$111.5 million, net of related costs. No such transaction occurred in 2001. The offsetting decrease in net other expense of \$25.4 million was attributable to lower interest rates in the first half of the year and lower average borrowings, including off-balance sheet debt resulting from utilization of our accounts receivable facilities, in 2001 compared to 2000. The decrease in our average borrowings outstanding compared to the prior period primarily reflects our continued focus on managing working capital as well as the overall lower volume of business.

Our effective tax rate was 41.3% in 2001 compared to 38.3% in 2000. The increase in the 2001 effective tax rate was primarily attributable to the change in the proportion of income earned within the various taxing jurisdictions and/or tax rates applicable to such taxing jurisdictions.

In 2001, we repurchased more than 99% of our outstanding convertible debentures with a total carrying value of \$220.8 million for \$225.0 million in cash, resulting in an extraordinary loss of \$2.6 million, net of tax benefits of \$1.6 million. In 2000, we repurchased convertible debentures with carrying values of \$235.2 million for \$231.3 million in cash, resulting in an extraordinary gain of \$2.4 million, net of taxes of \$1.5 million.

Quarterly Data; Seasonality

Our quarterly operating results have fluctuated significantly in the past and will likely continue to do so in the future as a result of:

- seasonal variations in the demand for our products and services such as lower demand in Europe during the summer months, increased Canadian government purchasing in the first quarter, and worldwide pre-holiday stocking in the retail channel during the September-to-November period;
- competitive conditions in our industry, which may impact the prices charged and terms and conditions imposed by our suppliers and/or competitors and the prices we charge our customers;
- variations in our levels of excess inventory and doubtful accounts, and changes in the terms of vendor-sponsored programs such as price protection and return rights;
- changes in the level of our operating expenses;
- the impact of acquisitions we may make;
- the impact of and possible disruption caused by reorganization efforts, including expenses and/or charges;
- the introduction by us or our competitors of new products and services offering improved features and functionality;
- the loss or consolidation of one or more of our significant suppliers or customers;
- product supply constraints;
- interest rate fluctuations, which may increase our borrowing costs, and may influence the willingness of customers and end-users to purchase products and services;
- currency fluctuations in countries in which we operate; and
- general economic conditions.

Given the general slowdown in the global economy and specifically the demand for IT products and services, these historical variations may not be indicative of future trends in the near term. Our narrow operating margins may magnify the impact of the foregoing factors on our operating results.

Management Discussion and Analysis (continued)

The following table sets forth certain unaudited quarterly historical financial data for each of the eight quarters in the period ended December 28, 2002. This unaudited quarterly information has been prepared on the same basis as the annual information presented elsewhere herein and, in our opinion, includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the selected quarterly information. This information should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report to Shareowners. The operating results for any quarter shown are not necessarily indicative of results for any future period.

	Net Sales	Gross Profit	Income (Loss) From Operations	Income (Loss) Before Income Taxes	Income (Loss) Before Extraordinary Item and Cumulative Effect of Adoption of a New Accounting Standard	Net Income (Loss)	Diluted Earnings (Loss) Per Share Before Extraordinary Item and Cumulative Effect of Adoption of a New Accounting Standard	Diluted Earnings (Loss) Per Share
(in millions, except per share data)								
Fiscal Year Ended December 28,								
2002 Thirteen Weeks Ended ⁽¹⁾:								
March 30, 2002	\$5,616.6	\$303.6	\$30.8	\$ 24.5	\$ 15.5	\$(265.4)	\$ 0.10	\$(1.74)
June 29, 2002	5,352.8	293.1	26.0	14.0	8.8	8.8	0.06	0.06
September 28, 2002	5,600.2	303.7	(2.6)	(13.2)	(8.3)	(8.3)	(0.06)	(0.06)
December 28, 2002	5,889.7	331.2	(4.0)	(16.3)	(10.3)	(10.3)	(0.07)	(0.07)
Fiscal Year Ended December 29,								
2001 Thirteen Weeks Ended ⁽²⁾ ⁽³⁾:								
March 31, 2001	\$7,193.5	\$384.2	\$70.5	\$ 43.0	\$ 26.4	\$ 26.4	\$ 0.18	\$ 0.18
June 30, 2001	6,017.3	315.6	4.8	(14.7)	(9.4)	(12.0)	(0.06)	(0.08)
September 29, 2001	5,833.4	307.6	(5.7)	(22.1)	(13.3)	(13.3)	(0.09)	(0.09)
December 29, 2001	6,142.7	322.5	23.3	9.7	5.6	5.6	0.04	0.04

⁽¹⁾Includes impact of charges related to reorganization and other major-program costs. Pre-tax quarterly charges in 2002 were recorded as follows: first quarter, \$3.4 million; second quarter, \$5.4 million; third quarter, \$45.1 million; fourth quarter, \$62.7 million. The first quarter of 2002 also includes a pre-tax gain of \$6.5 million on the sale of available-for-sale securities and a charge of \$280.9 million, net of taxes for the cumulative effect of adoption of a new accounting standard.

⁽²⁾Includes impact of charges related to reorganization plans initiated to streamline operations and reorganize resources. Quarterly charges in 2001 were recorded as follows: second quarter, \$19.1 million; third quarter, \$11.7 million; fourth quarter, \$10.6 million.

⁽³⁾Includes impact of special items of \$22.9 million for the write-off of capitalized software (\$10.2 million) and charges to reserve fully for outstanding insurance claims with an insolvent insurer (\$9.2 million) in the third quarter, and an impairment charge on an investment in an Internet-related company (\$3.5 million) in the fourth quarter.

Liquidity and Capital Resources

Cash Flows

We have financed our growth and cash needs largely through income from operations, borrowings under revolving credit and other facilities, sales of accounts receivable through established accounts receivable facilities, trade and supplier credit, the sale of convertible debentures in June 1998 and senior subordinated notes in August 2001, and the sale of Softbank common stock in December 1999, January 2000 and March 2002 (see Notes 2 and 8 to consolidated financial statements).

One of our ongoing objectives is to improve the use of working capital and put assets to work through increasing inventory turns and steady management of vendor payables and customer receivables. In this regard and in combination with the lower volume of business, we reduced our debt level in 2002, thereby lowering our debt-to-capitalization ratio to 18.3% at December 28, 2002 compared to 19.7% and 22.5% at December 29, 2001 and December 30, 2000, respectively. Including off-balance sheet debt related to our accounts receivable financing programs totaling \$75.0 million, \$222.3 million and \$910.2 million at December 28, 2002, December 29, 2001 and December 30, 2000, respectively, our debt-to-capitalization ratio decreased to 21.2% at December 28, 2002 compared to 26.7% and 43.7% at December 29, 2001 and December 30, 2000, respectively. Although we have realized significant improvements in working capital management and debt reduction and continue to strive for further improvements, no assurance can be made that we will be able to maintain our current debt levels. The following is a detailed discussion of our cash flows for 2002, 2001 and 2000.

Management Discussion and Analysis (continued)

Net cash provided by operating activities was \$238.5 million, \$286.7 million and \$839.1 million in 2002, 2001 and 2000, respectively. The decrease in cash provided by our operating activities during 2002 and 2001 compared to 2000 was primarily attributable to the reduction in the amounts sold to and held by third parties under our accounts receivable programs and the decrease in operating income, partially offset by a greater decrease in other working capital items primarily resulting from the overall lower volume of business and a continued focus on managing working capital. As a result of our strong working capital management, our inventory turns improved 37% as of December 28, 2002 and December 29, 2001 compared to December 30, 2000.

Net cash used by investing activities was \$28.1 million, \$70.3 million and \$19.5 million in 2002, 2001 and 2000, respectively. The net cash used by investing activities in 2002 was primarily due to capital expenditures of approximately \$54.7 million, partially offset by cash proceeds of approximately \$31.8 million from the sale of Softbank common stock. In 2001, cash used was primarily related to \$86.4 million used for capital expenditures, partially offset by cash proceeds from the sale of property and equipment of \$20.3 million. In 2000, cash used was primarily related to \$146.1 million for capital expenditures, partially offset by the proceeds from the sale of Softbank common stock totaling \$119.2 million.

Net cash used by financing activities was \$114.6 million, \$78.3 million and \$805.3 million in 2002, 2001 and 2000, respectively. Net cash used by financing activities in 2002 primarily resulted from the net repayment of our revolving credit and other debt facilities of \$125.0 million, partially offset by the proceeds from the exercise of stock options. The paydown of debt was primarily enabled through cash provided by operations, continued focus on working capital management and lower financing needs as a result of the lower volume of business. Net cash used by financing activities in 2001 primarily resulted from the repurchase of convertible debentures for \$225.0 million and net repayments of our revolving credit and other debt facilities of \$68.3 million. This was primarily enabled through cash provided by operations, continued focus on working capital management and lower volume of business, as well as by the proceeds from our issuance of senior subordinated notes of \$195.1 million and proceeds from the exercise of stock options of \$19.9 million. Net cash used by financing activities in 2000 was primarily due to the repurchase of the convertible debentures of \$231.3 million and the net repayment of borrowings under the revolving credit facilities and other debt facilities of \$584.3 million through the use of cash provided by operations and the continued focus on working capital management, as well as the proceeds received from the sale of Softbank common stock in 2000 and amounts sold under our accounts receivable programs.

Acquisitions

We account for all acquisitions after June 30, 2001 in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations." The results of operations of these businesses have been combined with our results of operations beginning on their acquisition dates.

In June 2002, we increased our ownership in a Singapore-based subsidiary engaged in export operations to 100% by acquiring the remaining 49% interest held by minority shareholders. In addition, we acquired the Cisco Systems Inc. business unit of an IT distributor in The Netherlands in October 2002 and an IT distributor in Belgium in December 2002. The total purchase price for these acquisitions, consisting of aggregate net cash payments of approximately \$8.3 million plus assumption of certain liabilities, was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the dates of acquisition, resulting in the recording of approximately \$9.2 million of goodwill.

In December 2001, we concluded a business combination involving certain assets and liabilities of our former subdistributor in the People's Republic of China. In addition, during September 2001, we acquired certain assets of an IT distribution business in the United Kingdom. The purchase price for these transactions, consisting of aggregate cash payments of \$15.9 million plus assumption of certain liabilities, was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the transaction dates, resulting in the recording of approximately \$105.4 million of goodwill.

The results of operations for companies acquired in 2002 and 2001 were not material to our consolidated results of operations on an individual or aggregate basis, and accordingly, pro forma results of operations have not been presented.

Capital Resources

Our cash and cash equivalents totaled \$387.5 million and \$273.1 million at December 28, 2002 and December 29, 2001, respectively.

Management Discussion and Analysis (continued)

In March 2000, we entered into a revolving five-year accounts receivable securitization program in the U.S., which provides for the issuance of up to \$700 million in commercial paper secured by undivided interests in a pool of transferred receivables. In connection with this program most of our U.S. trade accounts receivable are transferred without recourse to a trust, in exchange for a beneficial interest in the total pool of trade receivables. In addition, the trust has issued \$25 million of fixed-rate, medium-term certificates, also secured by undivided interests in the pool of transferred receivables. Sales of undivided interests to third parties under this program result in a reduction of total accounts receivable in our consolidated balance sheet. The excess of the trade accounts receivable transferred over amounts sold to and held by third parties at any one point in time represents our retained interest in the transferred accounts receivable and is shown in our consolidated balance sheet as a separate caption under accounts receivable. Retained interests are carried at their fair market value, estimated as the net realizable value, which considers the relatively short liquidation period and includes an estimated provision for credit losses. At December 28, 2002 and December 29, 2001, the amount of undivided interests sold to and held by third parties under this U.S. program totaled \$75.0 million and \$80.0 million, respectively.

We also have certain other revolving trade accounts receivable based facilities in Europe and Canada, which provide up to approximately \$270 million of additional financing capacity. Under these programs, approximately \$142.3 million of trade accounts receivable were sold to and held by third parties at December 29, 2001 in our consolidated balance sheet, resulting in a further reduction of trade accounts receivable. No trade accounts receivable under these programs were sold to and held by third parties at December 28, 2002.

The aggregate amount of trade accounts receivable sold to and held by third parties under the U.S., European and Canadian programs, or off-balance sheet debt, as of December 28, 2002 and December 29, 2001 totaled \$75.0 million and \$222.3 million, respectively. This decrease reflects our lower financing needs as a result of our lower volume of business and improvements in working capital management. The decrease in amounts sold to and held by third parties resulted in an increase in our retained interests in securitized receivables, which was more than offset by an overall decrease in receivables resulting from the lower volume of business. We believe that available funding under our accounts receivable financing programs provides us increased flexibility to make incremental investments in strategic growth initiatives and to manage working capital requirements.

Our financing capacity under the above accounts receivable financing programs is dependent upon the level of our trade accounts receivable eligible to be transferred or sold into the accounts receivable financing programs. As of December 28, 2002, our actual aggregate capacity under these programs based on eligible accounts receivable outstanding was \$715 million. We believe that there are sufficient eligible trade accounts receivable to support our anticipated financing needs under the U.S., European and Canadian accounts receivable financing programs.

As is customary in trade accounts receivable securitization arrangements, a reduction in the credit rating of the third-party issuer of commercial paper or a back-up liquidity provider (which provides a source of funding if the commercial paper market cannot be accessed) could result in an adverse change in, or loss of, our financing capacity under these programs if the commercial paper issuer and/or liquidity back-up provider is not replaced. Loss of such financing capacity could have a material adverse effect on our financial condition, results of operations and liquidity. However, based on our assessment of the duration of these programs, the history and strength of the financial partners involved, other historical data, and the remoteness of such contingencies, we believe it is unlikely that any of these risks will materialize in the near term.

On August 16, 2001, we sold \$200.0 million of 9.875% senior subordinated notes due 2008 at an issue price of 99.382%, resulting in net cash proceeds of approximately \$195.1 million, net of issuance costs of approximately \$3.7 million. Under the terms of these notes, we are required to comply with certain restrictive covenants, including restrictions on the incurrence of additional indebtedness, the amount of dividends we can pay and the amount of common stock we can repurchase (see Note 7 to consolidated financial statements for further discussion on the terms for redemption).

Management Discussion and Analysis (continued)

On August 16, 2001, we also entered into interest rate swap agreements with two financial institutions, the effect of which was to swap the fixed-rate obligation on our senior subordinated notes for a floating rate obligation based on 90-day LIBOR plus 4.260%. All other financial terms of the interest rate swap agreement are identical to those of the senior subordinated notes, except for the quarterly payments of interest, which are on November 15, February 15, May 15 and August 15 in each year, commencing on November 15, 2001 and ending on the termination date of the swap agreement. These interest rate swap arrangements contain ratings conditions requiring more frequent posting of collateral and at minimum increments if our credit ratings decline to certain set levels. At December 28, 2002, the marked-to-market value of the interest rate swap amounted to \$24.8 million, which is recorded in other assets with an offsetting adjustment to the hedged debt, bringing the total carrying value of the senior subordinated notes to \$223.8 million.

Effective June 28, 2002, we entered into a three-year European revolving trade accounts receivable backed financing facility for approximately \$112 million with a financial institution that has an arrangement with a third-party issuer of commercial paper. The facility requires certain commitment fees and a minimum borrowing requirement of approximately \$16.8 million over the term of the agreement. Borrowings under the facility incur financing costs at rates indexed to EuroLIBOR. Our ability to access financing under this facility is dependent upon the level of trade accounts receivable of one of our European subsidiaries and the level of market demand for commercial paper. If the third-party issuer is unable to issue commercial paper, or the credit ratings of the issuer or the financial institution are downgraded, we could lose access to financing under this program. We believe it is unlikely that any of these risks will materialize in the near term. At December 28, 2002, we had borrowings of \$49.6 million under this facility.

On December 13, 2002, we entered into a \$150 million revolving senior unsecured credit facility with a bank syndicate that expires in December 2005. Under this facility, we are required to comply with certain financial covenants, including minimum tangible net worth, restrictions on funded debt and interest coverage. This facility also restricts the amount of dividends we can pay as well as the amount of common stock we can repurchase annually. We had no borrowings outstanding under this credit facility at December 28, 2002. This facility can also be used to support letters of credit. At December 28, 2002, letters of credit totaling approximately \$12.7 million were issued, principally to certain vendors, to support purchases by our subsidiaries.

We also have various lines of credit, commercial paper, short-term overdraft facilities and other senior credit facilities with various financial institutions worldwide, which provide for borrowing capacity aggregating approximately \$312 million and \$585 million at December 28, 2002 and December 29, 2001, respectively. Most of these arrangements are on an uncommitted basis and are reviewed periodically for renewal. At December 28, 2002 and December 29, 2001, we had borrowings of \$92.1 million and \$250.8 million, respectively, outstanding under these facilities. The weighted average interest rate on the outstanding borrowings under these credit facilities was 5.4% and 5.2% per annum at December 28, 2002 and December 29, 2001, respectively.

On June 9, 1998, we sold \$1.3 billion aggregate principal amount at maturity of our zero coupon convertible senior debentures due 2018. Gross proceeds from the offering were \$460.4 million, which represented a yield to maturity of 5.375% per annum. At December 28, 2002 and December 29, 2001, our remaining convertible debentures had an outstanding balance of \$0.4 million and were convertible into approximately 5,000 shares of our Class A Common Stock.

Management Discussion and Analysis (continued)

We are in compliance with all covenants or other requirements set forth in our accounts receivable financing programs and credit agreements discussed above. The following summarizes our financing capacity and contractual obligations at December 28, 2002 (in millions), and the effect scheduled payments on such obligations are expected to have on our liquidity and cash flows in future periods.

Significant Contractual Obligations	Total Capacity	Balance Outstanding	Payments Due by Period		
			Less Than 1 Year	1 - 3 Years	After 3 Years
Senior subordinated notes	\$ 223.8	\$ 223.8	\$ —	\$ —	\$223.8
European revolving trade accounts receivable backed financing facility	112.0	49.6	32.8	16.8	—
Revolving senior unsecured credit facility	150.0	—	—	—	—
Overdraft and others	312.4	92.1	92.1	—	—
Convertible debentures	0.4	0.4	—	0.4	—
Subtotal	798.6	365.9	124.9	17.2	223.8
Accounts receivable financing programs ⁽¹⁾	995.0	75.0	—	75.0	—
Minimum payments under operating leases and IT outsourcing agreement ⁽²⁾	561.8	561.8	81.9	158.3	321.6
Total	\$2,355.4	\$1,002.7	\$206.8	\$250.5	\$545.4

⁽¹⁾ Payments due by period were classified based on the maturity dates of the related accounts receivable financing programs. The total capacity amount in the table above represents the maximum capacity available under these programs. Our actual capacity is dependent upon the actual amount of eligible trade accounts receivable outstanding that may be transferred or sold into these programs. As of December 28, 2002, our actual aggregate capacity under these programs based on eligible accounts receivable outstanding was \$715 million.

⁽²⁾ In December 2002, we entered into an agreement with a third-party provider of IT outsourcing services. The services to be provided include mainframe, major server, desktop and enterprise storage operations, wide-area and local-area network support and engineering; systems management services; help desk services; and worldwide voice/PBX. This agreement expires in December 2009, but is cancelable at our option subject to payment of termination fees of up to \$7.4 million in 2003 and declining monthly to \$0.4 million by December 2009. Additionally, we lease the majority of our facilities and certain equipment under noncancelable operating leases. Renewal and purchase options at fair values exist for a substantial portion of the leases. Amounts in this table represent future minimum payments on operating leases that have remaining noncancelable lease terms in excess of one year as well as under the IT outsourcing agreement.

Management Discussion and Analysis (continued)

Proceeds from stock option exercises provide us an additional source of cash. In 2002, 2001, and 2000, cash proceeds from the exercise of stock options totaled \$10.4 million, \$19.9 million and \$10.4 million, respectively.

In spite of the tightening of terms and availability of credit to business in general, we believe that our existing sources of liquidity, including cash resources and cash provided by operating activities, supplemented as necessary with funds available under our credit arrangements, will provide sufficient resources to meet our present and future working capital and cash requirements for at least the next twelve months.

In December 1998, we purchased 2,972,400 shares of common stock of SOFTBANK Corp., or Softbank, Japan's largest distributor of software, peripherals and networking products, for approximately \$50.3 million. During December 1999, we sold approximately 35% of our original investment in Softbank common stock for approximately \$230.1 million, resulting in a pre-tax gain of approximately \$201.3 million, net of expenses. In January 2000, we sold an additional approximately 15% of our original holdings in Softbank common stock for approximately \$119.2 million resulting in a pre-tax gain of approximately \$111.5 million, net of expenses. In March 2002, we sold our remaining shares of Softbank common stock for approximately \$31.8 million resulting in a pre-tax gain of \$6.5 million, net of expenses. We generally used the proceeds from these sales to reduce existing indebtedness. The realized gains, net of expenses, associated with the sales of Softbank common stock in March 2002, January 2000 and December 1999 totaled \$4.1 million, \$69.3 million and \$125.2 million, respectively, net of deferred taxes of \$2.4 million, \$42.1 million and \$76.1 million, respectively (see Notes 2 and 8 to consolidated financial statements). The Softbank common stock was sold in the public market by certain of our foreign subsidiaries, which are located in a low-tax jurisdiction. At the time of each sale, we concluded that U.S. taxes were not currently payable on the gains based on our internal assessment and opinions received from our advisors. However, in situations involving uncertainties in the interpretation of complex tax regulations by various taxing authorities, we provide for deferred tax liabilities unless we consider it probable that these taxes will not be due. The level of opinions received from our advisors and our internal assessment did not allow us to reach that conclusion on this matter. Although we review our assessments in these matters on a regular basis, we cannot currently determine when this matter will be finally resolved with the taxing authorities, or if the deferred taxes of \$2.4 million, \$42.1 million and \$76.1 million for the 2002, 2000 and 1999 sales, respectively, will ultimately be paid. Accordingly, we continue to provide for these tax liabilities. If we are successful in obtaining a favorable resolution of this matter, our tax provision would be reduced to reflect the elimination of some or all of these deferred tax liabilities. However, in the event of an unfavorable resolution, we believe that we will be able to fund any such taxes that may be assessed on this matter with our available sources of liquidity. Our federal tax returns for fiscal years through 1998 have been closed. The U.S. IRS has begun an examination process related to our federal tax returns for fiscal year 1999 and has surveyed such returns.

Capital Expenditures

We presently expect to spend approximately \$80 million in fiscal 2003 for capital expenditures.

Transactions with Related Parties

We have loans receivable from certain of our executive officers and other associates. These loans, ranging up to \$0.5 million, have interest rates ranging from 0.0% to 6.75% per annum and are payable from 15 days to five years. All loans to executive officers, unless granted prior to their election to such position, were approved by the Human Resources Committee of our Board of Directors and were granted prior to July 30, 2002, the effective date of the Sarbanes-Oxley Act of 2002. No material modification or renewals to these loans to executive officers have been made since that date or subsequent to the employee's election as an executive officer, if later. At December 28, 2002 and December 29, 2001, our employee loans receivable balance was \$1.3 million and \$1.6 million, respectively.

New Accounting Standards

Refer to Note 2 to consolidated financial statements for the discussion of new accounting standards.

Management Discussion and Analysis (continued)

Market Risk

We are exposed to the impact of foreign currency fluctuations and interest rate changes due to our international sales and global funding. In the normal course of business, we employ established policies and procedures to manage our exposure to fluctuations in the value of foreign currencies and interest rates using a variety of financial instruments. It is our policy to utilize financial instruments to reduce risks where internal netting cannot be effectively employed. It is our policy not to enter into foreign currency or interest rate transactions for speculative purposes.

Our foreign currency risk management objective is to protect our earnings and cash flows resulting from sales, purchases and other transactions from the adverse impact of exchange rate movements. Foreign exchange risk is managed by using forward and option contracts to offset exchange risk associated with receivables and payables. By policy, we maintain hedge coverage between minimum and maximum percentages. Currency interest rate swaps are used to hedge foreign currency denominated principal and interest payments related to intercompany and third-party loans. During 2002, hedged transactions were denominated primarily in U.S. dollars, euros, pounds sterling, Canadian dollars, Australian dollars, Danish krone, Swedish krona, Swiss francs, Norwegian kroner, Indian rupees, and Mexican pesos.

We are exposed to changes in interest rates primarily as a result of our long-term debt used to maintain liquidity and finance inventory, capital expenditures and business expansion. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve our objectives we use a combination of fixed- and variable-rate debt and interest rate swaps. In August 2001, we entered into interest rate swap agreements with two financial institutions, the effect of which was to swap our fixed rate obligation on our senior subordinated notes for a floating rate obligation based on 90-day LIBOR plus 4.260%. As of December 28, 2002 and December 29, 2001, substantially all of our outstanding debt had variable interest rates.

Market Risk Management

Foreign exchange and interest rate risk and related derivatives used are monitored using a variety of techniques including a review of market value, sensitivity analysis and Value-at-Risk ("VaR"). The VaR model determines the maximum potential loss in the fair value of market-sensitive financial instruments assuming a one-day holding period. The VaR model estimates were made assuming normal market conditions and a 95% confidence level. There are various modeling techniques that can be used in the VaR computation. Our computations are based on interrelationships between currencies and interest rates (a "variance/covariance" technique). The value of foreign currency options does not change on a one-to-one basis with changes in the underlying currency rate. The potential loss in option value was adjusted for the estimated sensitivity (the "delta" and "gamma") to changes in the underlying currency rate. The model includes all of our forwards, options, cross-currency and other interest rate swaps, fixed-rate debt and nonfunctional currency denominated debt (i.e., our market-sensitive derivative and other financial instruments as defined by the SEC). The accounts receivable and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, were excluded from the model.

The VaR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred by us, nor does it consider the potential effect of favorable changes in market rates. It also does not represent the maximum possible loss that may occur. Actual future gains and losses will likely differ from those estimated because of changes or differences in market rates and interrelationships, hedging instruments and hedge percentages, timing and other factors.

The following table sets forth the estimated maximum potential one-day loss in fair value, calculated using the VaR model (in millions). We believe that the hypothetical loss in fair value of our derivatives would be offset by gains in the value of the underlying transactions being hedged.

	Interest Rate Sensitive Financial Instruments	Currency Sensitive Financial Instruments	Combined Portfolio
VaR as of December 28, 2002	\$7.0	\$0.1	\$5.7
VaR as of December 29, 2001	6.3	0.2	6.1

Management Discussion and Analysis (continued)

Cautionary Statements for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

The matters in this Annual Report that are forward-looking statements, including, but not limited to, statements about future operating income improvements from the profit enhancement programs, competition, revenues, expenses and other operating results or ratios, economic conditions, liquidity, capital requirements, and exchange rate fluctuations, are based on current management expectations that involve certain risks which if realized, in whole or in part, could have a material adverse effect on our business, financial condition and results of operations, including, without limitation: (1) the failure to achieve the objectives of our profit enhancement program as announced in September 2002 or other process or organizational changes, in whole or in part, or delays in implementing components of the program; (2) intense competition, regionally and internationally, including competition from alternative business models, such as manufacturer-to-end-user selling, may lead to reduced prices, lower sales or reduced sales growth, lower gross margins, extended payment terms with customers, increased capital investment and interest costs, bad debt risks and product supply shortages; (3) termination of a supply or services agreement with a major supplier or customer or a significant change in supplier terms or conditions of sale; (4) failure of information systems and/or failure to successfully transition certain components of our IT infrastructure to our chosen third-party provider could result in significant disruption to business or additional cost, or may not generate the intended level of cost savings; (5) disruptions in business operations due to reorganization activities; (6) the continuation or worsening of the severe downturn in economic conditions (particularly purchases of technology products) and failure to adjust costs in a timely fashion in response to a sudden decrease in demand; (7) losses resulting from significant credit exposure to reseller customers and negative trends in their businesses; (8) rapid product improvement and technological change and resulting obsolescence risks; (9) future terrorist or military actions; (10) dependence on key individuals and inability to retain personnel; (11) reductions in credit ratings and/or unavailability of adequate capital; (12) interest rate and foreign currency fluctuations; (13) adverse impact of governmental controls and actions or political or economic instability could adversely affect foreign operations; (14) failure to attract new sources of business from expansion of products or services or entry into new markets; (15) inability to manage future adverse industry trends; (16) difficulties and risks associated with integrating operations and personnel in acquisitions; (17) future periodic assessments required by current or new accounting standards may result in additional charges; and (18) dependence on independent shipping companies.

We have instituted in the past and continue to institute changes to our strategies, operations and processes to address these risk factors and to mitigate their impact on our results of operations and financial position. However, no assurances can be given that we will be successful in these efforts. For a further discussion of these and other significant factors to consider in connection with forward-looking statements concerning us, reference is made to Exhibit 99.01 of our Annual Report on Form 10-K for the fiscal year ended December 28, 2002; other risks or uncertainties may be detailed from time to time in our future SEC filings. We disclaim any duty to update any forward-looking statements.

INGRAM MICRO INC.

CONSOLIDATED BALANCE SHEET
(Dollars in 000s, except per share data)

	Fiscal Year End	
	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 387,513	\$ 273,059
Investment in available-for-sale securities	—	24,031
Accounts receivable:		
Trade accounts receivable	1,770,988	1,760,581
Retained interest in securitized receivables	583,918	537,376
	<hr/>	<hr/>
Total accounts receivable (less allowances of \$89,889 and \$79,927)	2,354,906	2,297,957
Inventories	1,564,065	1,623,628
Other current assets	293,902	238,171
	<hr/>	<hr/>
Total current assets	4,600,386	4,456,846
Property and equipment, net	250,244	303,833
Goodwill	233,922	508,227
Other	59,802	33,101
	<hr/>	<hr/>
Total assets	\$5,144,354	\$5,302,007
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,623,188	\$2,607,145
Accrued expenses	438,787	279,669
Current maturities of long-term debt	124,894	252,803
	<hr/>	<hr/>
Total current liabilities	3,186,869	3,139,617
Long-term debt, less current maturities	241,052	205,304
Deferred income taxes and other liabilities	80,444	89,788
	<hr/>	<hr/>
Total liabilities	3,508,365	3,434,709
	<hr/>	<hr/>
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred Stock, \$0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding	—	—
Class A Common Stock, \$0.01 par value, 500,000,000 shares authorized; 150,778,355 and 149,024,793 shares issued and outstanding in 2002 and 2001, respectively	1,508	1,490
Class B Common Stock, \$0.01 par value, 135,000,000 shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	707,689	691,958
Retained earnings	952,753	1,227,945
Accumulated other comprehensive loss	(25,548)	(53,416)
Unearned compensation	(413)	(679)
	<hr/>	<hr/>
Total stockholders' equity	1,635,989	1,867,298
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$5,144,354	\$5,302,007
	<hr/>	<hr/>

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF INCOME
(Dollars in 000s, except per share data)

	Fiscal Year		
	2002	2001	2000
Net sales	\$22,459,265	\$25,186,933	\$30,715,149
Cost of sales	21,227,627	23,857,034	29,158,851
Gross profit	1,231,638	1,329,899	1,556,298
Operating expenses:			
Selling, general and administrative	1,110,295	1,172,665	1,202,861
Reorganization costs	71,135	41,411	—
Special items	—	22,893	—
	1,181,430	1,236,969	1,202,861
Income from operations	50,208	92,930	353,437
Other expense (income):			
Interest income	(11,870)	(16,256)	(8,527)
Interest expense	32,702	55,624	88,726
Losses on sales of receivables	9,363	20,332	13,351
Net foreign exchange loss	8,736	5,204	3,322
Gain on sale of available-for-sale securities	(6,535)	—	(111,458)
Other	8,814	12,091	5,514
	41,210	76,995	(9,072)
Income before income taxes, extraordinary item and cumulative effect of adoption of a new accounting standard	8,998	15,935	362,509
Provision for income taxes	3,329	6,588	138,756
Income before extraordinary item and cumulative effect of adoption of a new accounting standard	5,669	9,347	223,753
Extraordinary gain (loss) on repurchase of debentures, net of \$(1,634) and \$1,469 in income taxes	—	(2,610)	2,420
Cumulative effect of adoption of a new accounting standard, net of \$(2,633) in income taxes	(280,861)	—	—
Net income (loss)	\$ (275,192)	\$ 6,737	\$ 226,173
Basic earnings per share:			
Income before extraordinary item and cumulative effect of adoption of a new accounting standard	\$ 0.04	\$ 0.06	\$ 1.54
Extraordinary gain (loss) on repurchase of debentures	—	(0.01)	0.01
Cumulative effect of adoption of a new accounting standard	(1.87)	—	—
Net income (loss)	\$ (1.83)	\$ 0.05	\$ 1.55
Diluted earnings per share:			
Income before extraordinary item and cumulative effect of adoption of a new accounting standard	\$ 0.04	\$ 0.06	\$ 1.51
Extraordinary gain (loss) on repurchase of debentures	—	(0.02)	0.01
Cumulative effect of adoption of a new accounting standard	(1.85)	—	—
Net income (loss)	\$ (1.81)	\$ 0.04	\$ 1.52

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars in 000s)

	Common Stock		Additional		Accumulated		
	Class A	Class B	Paid-in	Retained	Other	Unearned	Total
			Capital	Earnings	Comprehensive	Compensation	
					Income (Loss)		
January 1, 2000	\$ 712	\$ 727	\$645,182	\$ 995,035	\$ 328,285	\$(3,096)	\$1,966,845
Stock options exercised	16		10,381				10,397
Income tax benefit from exercise of stock options			2,671				2,671
Vesting of redeemable Class B Common Stock		6	3,705				3,711
Conversion of Class B to Class A Common Stock	29	(29)					—
Forfeiture of restricted Class A Common Stock			(485)			192	(293)
Issuance of Class A Common Stock related to Employee Stock Purchase Plan	1		1,893				1,894
Amortization of unearned compensation						1,722	1,722
Stock-based employee compensation expense			1,493				1,493
Comprehensive income (loss)				226,173	(340,221)		(114,048)
December 30, 2000	758	704	664,840	1,221,208	(11,936)	(1,182)	1,874,392
Stock options exercised	26		19,886				19,912
Income tax benefit from exercise of stock options			4,927				4,927
Conversion of Class B to Class A Common Stock	704	(704)					—
Grant of restricted Class A Common Stock	1		789			(790)	—
Issuance of Class A Common Stock related to Employee Stock Purchase Plan	1		1,447				1,448
Amortization of unearned compensation						1,293	1,293
Stock-based employee compensation expense			69				69
Comprehensive income (loss)				6,737	(41,480)		(34,743)
December 29, 2001	1,490	—	691,958	1,227,945	(53,416)	(679)	1,867,298
Stock options exercised	17		10,359				10,376
Income tax benefit from exercise of stock options			2,951				2,951
Grant of restricted Class A Common Stock			310			(310)	—
Issuance of Class A Common Stock related to Employee Stock Purchase Plan	1		1,276				1,277
Amortization of unearned compensation						576	576
Stock-based employee compensation expense			835				835
Comprehensive income (loss)				(275,192)	27,868		(247,324)
December 28, 2002	\$1,508	\$ —	\$707,689	\$ 952,753	\$ (25,548)	\$ (413)	\$1,635,989

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in 000s)

	Fiscal Year		
	2002	2001	2000
Cash flows from operating activities:			
Net income (loss)	\$(275,192)	\$ 6,737	\$ 226,173
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Cumulative effect of adoption of a new accounting standard, net of income taxes	280,861	—	—
Depreciation	98,763	94,017	86,471
Amortization of goodwill	—	20,963	22,039
Noncash charges for impairments and losses on disposals of property and equipment, software and investments	16,813	21,504	—
Noncash charges for interest and compensation	2,277	6,993	23,145
Deferred income taxes	(40,112)	7,553	50,757
Pre-tax gain on sale of available-for-sale securities	(6,535)	—	(111,458)
Loss (gain) on repurchase of debentures (net of tax)	—	2,610	(2,420)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Changes in amounts sold under accounts receivable programs	(147,253)	(687,935)	647,600
Accounts receivable	240,645	643,836	(142,357)
Inventories	134,246	1,292,429	556,222
Other current assets	(2,898)	45,011	53,850
Accounts payable	(104,378)	(1,100,279)	(614,398)
Accrued expenses	41,279	(66,741)	43,453
Cash provided by operating activities	238,516	286,698	839,077
Cash flows from investing activities:			
Purchase of property and equipment	(54,679)	(86,438)	(146,104)
Proceeds from sale of property and equipment	2,920	20,289	16,400
Acquisitions, net of cash acquired	(8,256)	(15,923)	(4,620)
Net proceeds from sale of available-for-sale securities	31,840	—	119,228
Other	68	11,764	(4,385)
Cash used by investing activities	(28,107)	(70,308)	(19,481)
Cash flows from financing activities:			
Repurchase of redeemable Class B Common Stock	—	(39)	(89)
Proceeds from exercise of stock options	10,376	19,912	10,397
Repurchase of debentures	—	(224,977)	(231,330)
Net proceeds from issuance of senior subordinated notes	—	195,084	—
Repayments of debt	(122,999)	(36,201)	(156,232)
Net repayments under revolving credit facilities	(2,000)	(32,109)	(428,053)
Cash used by financing activities	(114,623)	(78,330)	(805,307)
Effect of exchange rate changes on cash and cash equivalents	18,668	(15,561)	8,119
Increase in cash and cash equivalents	114,454	122,499	22,408
Cash and cash equivalents, beginning of year	273,059	150,560	128,152
Cash and cash equivalents, end of year	\$ 387,513	\$ 273,059	\$ 150,560
Supplemental disclosures of cash flow information:			
Cash payments during the year:			
Interest	\$ 31,926	\$ 47,246	\$ 72,953
Income taxes	40,670	43,858	40,438
Noncash investing activities during the year:			
Assets acquired in exchange for liabilities assumed	—	157,700	—
Equity incentive plan stock issuance	310	790	—

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in 000s, except per share data)

Note 1 — Organization and Basis of Presentation

Ingram Micro Inc. (“Ingram Micro”) and its subsidiaries are primarily engaged in the distribution of information technology (“IT”) products and supply chain management services worldwide. Ingram Micro operates in North America, Europe, Latin America and Asia-Pacific.

Note 2 — Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Ingram Micro and its subsidiaries (collectively referred to herein as the “Company”). All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year

The fiscal year of the Company is a 52- or 53-week period ending on the Saturday nearest to December 31. All references herein to “2002,” “2001,” and “2000” represent the 52-week fiscal years ended December 28, 2002, December 29, 2001, and December 30, 2000, respectively.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S.”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date, and reported amounts of revenue and expenses during the reporting period. Significant estimates primarily relate to the realizable value of accounts receivable; vendor programs; inventories; goodwill, intangible assets and other long-lived assets; income taxes; and contingencies and litigation. Actual results could differ from these estimates.

Revenue Recognition

Revenue on products shipped is recognized when the risks and rights of ownership are substantially passed to the customer. Service revenues are recognized upon delivery of the services. Service revenues have represented less than 10% of total net sales for 2002, 2001 and 2000. The Company, under specific conditions, permits its customers to return or exchange products. The provision for estimated sales returns is recorded concurrently with the recognition of revenue.

Vendor Programs

Funds received from vendors for price protection, product rebates, marketing and training, product returns and promotion programs are generally recorded, net of direct costs, as adjustments to product costs, revenue or selling, general and administrative expenses according to the nature of the program. Some of these programs may extend over one or more quarterly reporting periods. The Company accrues rebates or other vendor incentives as earned based on sales of qualifying products or as services are provided in accordance with the terms of the related program.

The Company sells products purchased from many vendors. In fiscal 2002, 2001, and 2000, the Company’s top three vendors (as measured by the Company’s net sales of all products purchased from vendors) contributed approximately 41%, 39% and 42%, respectively, of the Company’s net sales.

Warranties

The Company’s suppliers generally warrant the products distributed by the Company and allow returns of defective products, including those that have been returned to the Company by its customers. The Company does not independently warrant the products it distributes; however, the Company does warrant its services with regard to products that it configures for its customers and products that it builds to order from components purchased from other sources. In addition, the Company is obligated to provide warranty protection for sales of certain IT products within the European Union (“EU”) where vendors have not affirmatively agreed to provide pass-through protection for up to two years as required under the EU directive. Provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience. Warranty expense and the related obligations are not material to the Company’s consolidated financial statements.

Notes to Consolidated Financial Statements (continued)

(Dollars in 000s, except per share data)

Foreign Currency Translation and Remeasurement

Financial statements of foreign subsidiaries, for which the functional currency is the local currency, are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for statement of income items. Translation adjustments are recorded in accumulated other comprehensive income, a component of stockholders' equity. The functional currency of the Company's subsidiaries in Latin America and certain countries within the Company's Asia-Pacific operations is the U.S. dollar; accordingly, the monetary assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenues, expenses, gains or losses are translated at the average exchange rate for the period, and nonmonetary assets and liabilities are translated at historical rates. The resultant remeasurement gains and losses of these subsidiaries as well as gains and losses from foreign currency transactions are included in the consolidated statement of income.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other accrued expenses approximate fair value because of the short maturity of these items. The carrying amounts of outstanding debt issued pursuant to bank credit agreements approximate fair value because interest rates over the relative term of these instruments approximate current market interest rates. At December 28, 2002 and December 29, 2001, the carrying value of the Company's 9.875% Senior Subordinated Notes due in 2008 was \$223,846 and \$204,899, respectively, which approximated their fair value at the respective dates. See discussion of Derivative Financial Instruments below.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Book overdrafts of \$130,171 and \$162,286 as of December 28, 2002 and December 29, 2001, respectively, are included in accounts payable.

Inventories

Inventories are stated at the lower of average cost or market.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives noted below, except for the lives of assets which have been, or will be, accelerated as a result of actions from the Company's profit enhancement program as discussed in Note 3. The Company also capitalizes computer software costs that meet both the definition of internal-use software and defined criteria for capitalization in accordance with Statement of Position No. 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use." Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life.

Buildings	40 years
Leasehold improvements	3-17 years
Distribution equipment	5-7 years
Computer equipment and software	3-8 years

Maintenance, repairs and minor renewals are charged to expense as incurred. Additions, major renewals and betterments to property and equipment are capitalized.

Long-Lived and Intangible Assets

In 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets" ("FAS 144"). In accordance with FAS 144, the Company assesses potential impairments to its long-lived assets when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. If required, an impairment loss is recognized as the difference between the carrying value and the fair value of the assets.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)***Goodwill**

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in an acquisition accounted for using the purchase method. Effective the first quarter of 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 142 eliminated the amortization of goodwill. Instead, goodwill was reviewed for impairment upon adoption and will be reviewed at least annually thereafter. In connection with the initial impairment tests, the Company obtained valuations of its individual reporting units from an independent third-party valuation firm. The valuation methodologies included, but were not limited to, estimated net present value of the projected future cash flows of these reporting units. As a result of these impairment tests, the Company recorded a noncash charge of \$280,861, net of income taxes of \$2,633, to reduce the carrying value of goodwill to its implied fair value in accordance with FAS 142. This charge is reflected as a cumulative effect of adoption of a new accounting standard in the Company's consolidated statement of income.

In the fourth quarter of 2002, the Company performed an impairment test of its remaining goodwill. In connection with this test, valuations of the individual reporting units were obtained from an independent third-party valuation firm. The valuation methodologies were consistent with those used in the initial impairment tests. No additional impairment was indicated based on these tests.

The changes in the carrying amount of goodwill for the 52 weeks ended December 28, 2002 are as follows:

	North America	Europe	Other International	Total
Balance at December 29, 2001	\$78,304	\$ 75,510	\$ 354,413	\$ 508,227
Impairment charge upon adoption of FAS 142	—	(75,510)	(207,984)	(283,494)
Acquisitions	—	2,152	7,007	9,159
Foreign currency translation	6	(41)	65	30
Balance at December 28, 2002	\$78,310	\$ 2,111	\$ 153,501	\$ 233,922

In accordance with FAS 142, no amortization of goodwill was recorded for the 52 weeks ended December 28, 2002. If amortization expense of \$20,963 and \$22,039 had not been recorded for the 52 weeks ended December 29, 2001 and December 30, 2000, respectively, net income for those periods would have been \$27,505 or \$0.18 per diluted share and \$248,007 or \$1.67 per diluted share, respectively.

Investments in Available-for-Sale Securities

The Company classified its existing marketable equity securities as available-for-sale in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." These securities were carried at fair market value, with unrealized gains and losses reported in stockholders' equity as a component of accumulated other comprehensive income (loss). Realized gains or losses on securities sold were based on the specific identification method.

In December 1998, the Company purchased 2,972,400 shares of common stock of SOFTBANK Corp. ("Softbank"), Japan's largest distributor of software, peripherals and networking products, for approximately \$50,262. During December 1999, the Company sold 1,040,400 shares or approximately 35% of its original investment in Softbank common stock for approximately \$230,109, resulting in a pre-tax gain of approximately \$201,318, net of expenses. In January 2000, the Company sold an additional 445,800 shares or approximately 15% of its original holdings in Softbank common stock for approximately \$119,228, resulting in a pre-tax gain of approximately \$111,458, net of expenses. In March 2002, the Company sold its remaining 1,486,200 shares or approximately 50% of its original investment in Softbank common stock for approximately \$31,840, resulting in a pre-tax gain of approximately \$6,535, net of expenses. The realized gains, net of expenses, associated with the sales of Softbank common stock in March 2002, January 2000 and December 1999 totaled \$4,117, \$69,327 and \$125,220, respectively, net of deferred income taxes of \$2,418, \$42,131 and \$76,098, respectively (see Note 8). The Company used the net proceeds from the sales primarily to repay existing indebtedness.

Notes to Consolidated Financial Statements (continued)

(Dollars in 000s, except per share data)

In connection with the December 1999 sale of Softbank common stock, the Company issued warrants to Softbank for the purchase of 1,500,000 shares of the Company's Class A Common Stock with an exercise price of \$13.25 per share, which approximated the market price of the Company's common stock on the warrant issuance date. The warrants were exercisable immediately and have a five-year term.

At December 29, 2001, the unrealized holding loss associated with the Softbank common stock totaled \$672, net of \$428 in deferred income taxes. At December 28, 2002, there were no unrealized holding gains or losses due to the sale in March 2002 of the Company's remaining investment in Softbank.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivable and derivative financial instruments. Credit risk with respect to trade accounts receivable is limited due to the large number of customers and their dispersion across geographic areas. No single customer accounts for 10% or more of the Company's net sales. The Company performs ongoing credit evaluations of its customers' financial conditions, obtains credit insurance in certain locations and requires collateral in certain circumstances. The Company maintains an allowance for probable credit losses.

Derivative Financial Instruments

The Company operates internationally with distribution facilities in various locations around the world. The Company reduces its exposure to fluctuations in interest rates and foreign exchange rates by creating offsetting positions through the use of derivative financial instruments. The market risk related to the foreign exchange agreements is offset by changes in the valuation of the underlying items being hedged. The Company currently does not use derivative financial instruments for trading or speculative purposes, nor is the Company a party to leveraged derivatives.

Foreign exchange risk is managed primarily by using forward contracts to hedge receivables and payables. Written foreign currency options are used to mitigate currency risk in conjunction with purchased options. Currency interest rate swaps are used to hedge foreign currency denominated principal and interest payments related to intercompany loans.

Effective December 31, 2000, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") as amended by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – an amendment of FASB No. 133." The adoption of FAS 133 did not have a material impact on the Company's consolidated financial position or results of operations. The Company's derivative financial instruments under FAS 133 are discussed below.

All derivatives are recorded in the Company's consolidated balance sheet at fair value. The estimated fair value of derivative financial instruments represents the amount required to enter into similar offsetting contracts with similar remaining maturities based on quoted market prices. As disclosed in Note 7, the Company has an interest rate swap that is designated as a fair value hedge. Changes in the fair value of this derivative are recorded in current earnings and are offset by the like change in the fair value of the hedged debt instrument. Changes in the fair value of derivatives not designated as hedges are recorded in current earnings.

Prior to the adoption of FAS 133, derivative financial instruments were accounted for on an accrual basis. Gains and losses resulting from effective hedges of existing assets, liabilities or firm commitments were deferred and recognized when the offsetting gains and losses were recognized on the related hedged items. Gains or losses on written foreign currency options were adjusted to market value at the end of each accounting period and were not material.

The notional amount of forward exchange contracts and options is the amount of foreign currency bought or sold at maturity. The notional amount of interest rate swaps is the underlying principal amount used in determining the interest payments exchanged over the life of the swap. Notional amounts are indicative of the extent of the Company's involvement in the various types and uses of derivative financial instruments and are not a measure of the Company's exposure to credit or market risks through its use of derivatives.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)*

Credit exposure for derivative financial instruments is limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparties. Potential credit losses are minimized through careful evaluation of counterparty credit standing, selection of counterparties from a limited group of high-quality institutions and other contract provisions.

Derivative financial instruments comprise the following:

	Fiscal Year End			
	2002		2001	
	Notional Amounts	Estimated Fair Value	Notional Amounts	Estimated Fair Value
Foreign exchange forward contracts	\$713,158	\$ (6,406)	\$671,082	\$ (1,467)
Purchased foreign currency options	—	—	2,545	39
Written foreign currency options	—	—	3,838	(1)
Currency interest rate swaps	376,004	(75,333)	378,241	16,989
Interest rate swaps	200,000	24,840	200,000	6,070

Comprehensive Income (Loss)

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130") establishes standards for reporting and displaying comprehensive income and its components in the Company's consolidated financial statements. Comprehensive income is defined in FAS 130 as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources and is comprised of net income and other comprehensive income (loss).

The components of accumulated other comprehensive income (loss) are as follows:

	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Available-for- Sale Securities	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2000	\$(28,651)	\$ 356,936	\$ 328,285
Change in foreign currency translation adjustment	(250)	—	(250)
Unrealized holding loss arising during the period	—	(270,644)	(270,644)
Reclassification adjustment for realized gain included in net income	—	(69,327)	(69,327)
Balance at December 30, 2000	(28,901)	16,965	(11,936)
Change in foreign currency translation adjustment	(23,843)	—	(23,843)
Unrealized holding loss arising during the period	—	(17,637)	(17,637)
Balance at December 29, 2001	(52,744)	(672)	(53,416)
Change in foreign currency translation adjustment	27,196	—	27,196
Unrealized holding loss arising during the period	—	4,789	4,789
Reclassification adjustment for realized gain included in net income	—	(4,117)	(4,117)
Balance at December 28, 2002	\$(25,548)	\$ —	\$ (25,548)

Earnings Per Share

The Company reports a dual presentation of Basic Earnings Per Share ("Basic EPS") and Diluted Earnings Per Share ("Diluted EPS"). Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding during the reported period. Diluted EPS reflects the potential dilution that could occur if stock options and warrants, and other commitments to issue common stock were exercised using the treasury stock method or the if-converted method, where applicable.

Notes to Consolidated Financial Statements (continued)

(Dollars in 000s, except per share data)

The computation of Basic EPS and Diluted EPS is as follows:

	Fiscal Year		
	2002	2001	2000
Income before extraordinary item and cumulative effect of adoption of a new accounting standard	\$ 5,669	\$ 9,347	\$ 223,753
Weighted average shares	150,211,973	147,511,408	145,213,882
Basic earnings per share before extraordinary item and cumulative effect of adoption of a new accounting standard	\$ 0.04	\$ 0.06	\$ 1.54
Weighted average shares including the dilutive effect of stock options and warrants (1,933,696; 2,536,399; and 3,427,109 for 2002, 2001, and 2000, respectively)	152,145,669	150,047,807	148,640,991
Diluted earnings per share before extraordinary item and cumulative effect of adoption of a new accounting standard	\$ 0.04	\$ 0.06	\$ 1.51

At December 28, 2002, December 29, 2001 and December 30, 2000, there were \$427, \$405, and \$220,035, respectively, in Zero Coupon Convertible Senior Debentures that were convertible into approximately 5,000, 5,000 and 3,051,000 shares, respectively, of Class A Common Stock (see Note 7). These potential shares were excluded from the computation of Diluted EPS because their effect would be antidilutive. Additionally, there were approximately 18,182,000, 16,155,000 and 11,178,000 options in 2002, 2001, and 2000, respectively, that were not included in the computation of Diluted EPS because the exercise price was greater than the average market price of the Class A Common Stock, thereby resulting in an antidilutive effect.

Accounting for Stock-Based Compensation

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 148, "Accounting for Stock Based Compensation – Transition and Disclosure" ("FAS 148"), which amends FASB Statement No. 123, "Accounting for Stock-Based Compensation." As permitted by FAS 148, the Company continues to measure compensation cost in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations, but provides pro forma disclosures of net income and earnings per share as if the fair-value method had been applied. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions to stock-based employee compensation.

	Fiscal Year		
	2002	2001	2000
Net income (loss), as reported	\$(275,192)	\$ 6,737	\$226,173
Compensation expense as determined under FAS 123, net of related tax effects	31,610	26,651	43,056
Pro forma net income (loss)	\$(306,802)	\$(19,914)	\$183,117
Earnings per share:			
Basic – as reported	\$ (1.83)	\$ 0.05	\$ 1.55
Basic – pro forma	\$ (2.04)	\$ (0.13)	\$ 1.26
Diluted – as reported	\$ (1.81)	\$ 0.04	\$ 1.52
Diluted – pro forma	\$ (2.04)	\$ (0.13)	\$ 1.23

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)*

The weighted average fair value per option granted in 2002, 2001 and 2000 was \$6.88, \$6.66 and \$5.00, respectively. The fair value of options was estimated using the Black-Scholes option-pricing model assuming no dividends and using the following weighted average assumptions:

	Fiscal Year		
	2002	2001	2000
Risk-free interest rate	3.49%	3.67%	6.30%
Expected years until exercise	3.0 years	2.5 years	2.2 years
Expected stock volatility	61.8%	68.3%	59.2%

New Accounting Standards

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("FAS 143"). FAS 143 requires capitalizing asset retirement costs as part of the total cost of the related long-lived asset and subsequently allocating the total expense to future periods using a systematic and rational method. Adoption of FAS 143 is required for the Company's fiscal year beginning December 29, 2002 and is not expected to have a material impact on the Company's consolidated financial position or results of operations upon initial adoption.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statement No. 4, 44, and 64, Amendment of FASB No. 13, and Technical Corrections as of April 2002" ("FAS 145"). FAS 145 rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, FASB Statement No. 64, "Extinguishment of Debt Made to Satisfy Sinking-Fund Requirements." It also amends FASB Statement No. 13, "Accounting for Leases," to address certain lease modifications and requires sale-leaseback accounting for certain modifications. Adoption of FAS 145 is required for the Company's fiscal year beginning December 29, 2002. The adoption of FAS 145 will require the Company to reclassify gains and losses on repurchase of debentures from extraordinary items to income from continuing operations. The adoption of FAS 145 is not expected to have any other material impact on the Company's consolidated financial position or results of operations.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("FAS 146"). FAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of FAS 146 are effective, on a prospective basis, for exit or disposal activities initiated by the Company after December 31, 2002. The Company is in the process of assessing what impact, if any, FAS 146 may have on its consolidated financial position or results of operations.

In November 2002, the Financial Accounting Standards Board issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires a guarantor to recognize a liability at the inception of a guarantee equal to the fair value of the obligation undertaken and elaborates on the disclosures to be made by the guarantor. The disclosure requirements of FIN 45 are required for the fiscal year ended December 28, 2002. The recognition and measurement provisions of FIN 45 are effective, on a prospective basis, for guarantees issued by the Company beginning in fiscal 2003. The adoption of FIN 45 is not expected to have a material impact on the Company's consolidated financial position or results of operations.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46"). FIN 46 provides guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable-interest entities ("VIEs"). FIN 46 applies to new entities that are created after the effective date, as well as to existing entities. For VIEs created before February 1, 2003, the recognition and measurement provisions of FIN 46 are effective to the Company no later than the beginning of the third quarter of 2003, while for VIEs created after January 31, 2003, the recognition and measurement provisions of FIN 46 are effective immediately. The Company is in the process of assessing what impact, if any, FIN 46 may have on its consolidated financial position or results of operations.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)***Note 3 — Reorganization Costs, Profit Enhancement Program and Special Items**

In June 2001, the Company initiated a broad-based reorganization plan to streamline operations and reorganize resources to increase flexibility, improve service and generate cost savings and operational efficiencies. This program has resulted in restructuring of several functions, consolidation of facilities, and reductions of workforce worldwide in each of the quarters through June 2002.

In September 2002, the Company announced a comprehensive profit enhancement program to further accelerate its ongoing business improvement program, which is designed to improve operating income through enhancements in gross margins and reductions of selling, general and administrative expenses. Key components of this initiative include enhancement and/or rationalization of vendor and customer programs, optimization of facilities and systems, outsourcing of certain IT infrastructure functions, geographic consolidations and administrative restructuring. The program announced in September 2002 is expected to result in incremental costs of approximately \$140,000 (approximately \$88,000 after income taxes) recorded over the next several quarters through December 2003. These costs are expected to be recorded in costs of sales, selling, general and administrative expenses, and reorganization costs. As of December 28, 2002, the Company incurred \$107,800 of incremental costs related to the profit enhancement program.

Reorganization Costs

Within the context of the broad-based reorganization plan and the comprehensive profit enhancement program, the Company has developed and implemented detailed plans for restructuring actions. The following table summarizes the Company's reorganization costs for each of the quarters in the years ended December 28, 2002 and December 29, 2001 resulting from the detailed actions initiated under the broad-based reorganization plan and the profit enhancement program:

Quarter Ended	Headcount Reduction	Employee Termination Benefits	Facility Costs	Other Costs	Total Cost
December 28, 2002					
North America	265	\$ 1,824	\$25,431	\$6,980	\$34,235
Europe	150	3,216	512	1,145	4,873
Other International	60	468	(28)	—	440
Subtotal	475	5,508	25,915	8,125	39,548
September 28, 2002					
North America	265	2,435	15,470	—	17,905
Europe	165	2,482	1,324	775	4,581
Other International	95	471	(141)	(9)	321
Subtotal	525	5,388	16,653	766	22,807
June 29, 2002					
North America	270	1,629	897	—	2,526
Europe	90	1,883	437	(392)	1,928
Other International	110	916	—	—	916
Subtotal	470	4,428	1,334	(392)	5,370
March 30, 2002					
North America	105	996	—	—	996
Europe	20	448	814	—	1,262
Other International	90	330	822	—	1,152
Subtotal	215	1,774	1,636	—	3,410
Full year 2002	1,685	\$17,098	\$45,538	\$8,499	\$71,135

Notes to Consolidated Financial Statements (continued)
(Dollars in 000s, except per share data)

Quarter Ended	Headcount Reduction	Employee Termination Benefits	Facility Costs	Other Costs	Total Cost
December 29, 2001					
North America	110	\$ 1,082	\$ 49	\$ 87	\$ 1,218
Europe	120	2,505	4,941	966	8,412
Other International	70	729	234	17	980
Subtotal	300	4,316	5,224	1,070	10,610
September 29, 2001					
North America	65	413	6,274	—	6,687
Europe	150	1,189	1,316	1,785	4,290
Other International	35	768	—	—	768
Subtotal	250	2,370	7,590	1,785	11,745
June 30, 2001					
North America	1,480	9,292	8,490	402	18,184
Europe	120	732	115	25	872
Subtotal	1,600	10,024	8,605	427	19,056
Full year 2001	2,150	\$16,710	\$21,419	\$3,282	\$41,411

The reorganization charge of \$39,548 for the fourth quarter of 2002 included \$38,884 related to detailed actions taken during the quarter and net additional charges of \$664 to reflect adjustments to detailed actions taken in previous quarters (\$68 related to actions taken in the first quarter of 2002 for higher than expected costs associated with employee termination benefits, \$450 and \$135 related to actions taken in the second quarter and third quarters of 2001, respectively, and \$48 related to actions taken in the third quarter of 2002 for higher lease obligations associated with facility consolidations, partially offset by a \$37 credit to reorganization costs related to actions taken in the third quarter of 2002 for lower than expected costs associated with employee termination benefits).

The reorganization charge of \$22,807 for the third quarter of 2002 included \$21,597 related to detailed actions taken during the quarter and net additional charges of \$1,210 to reflect adjustments to detailed actions taken in previous quarters (\$1,450 related to actions taken in the second quarter of 2001 for higher lease obligations associated with facility consolidations, partially offset by a \$240 credit to reorganization costs related to actions taken in the fourth quarter of 2001 for lower than expected costs associated with employee termination benefits, termination of leases and other costs).

The reorganization charge of \$5,370 for the second quarter of 2002 included \$5,082 related to the detailed actions taken during the quarter and net additional charges of \$288 to reflect adjustments to detailed actions taken in previous quarters (\$897 related to actions taken in the second quarter of 2001 for higher lease obligations associated with facility consolidations, partially offset by credits of \$521 and \$88 related to actions taken in the third and fourth quarters of 2001, respectively, for lower costs of terminating certain contracts and leases).

If it takes longer than expected to sublease these facilities, or if available sublease rates continue to decrease, the actual costs to exit these facilities could exceed estimated accrued facility costs and may require adjustment to the original estimates. These adjustments are explained further under the discussions of the reorganization actions below.

The following are descriptions of the detailed actions under the broad-based reorganization plan and the profit enhancement program:

Quarter ended December 28, 2002

Reorganization costs for the fourth quarter 2002 were primarily comprised of employee termination benefits for workforce reductions primarily in North America and Europe; facility exit costs were primarily comprised of lease exit costs for the downsizing of the Williamsville, New York office facility, and consolidating the Mississauga, Canada office facility; and other costs primarily comprised of contract termination expenses associated with outsourcing certain IT infrastructure functions as well as other costs associated with the reorganization activities. The Company anticipates that these restructuring actions will be substantially completed within twelve months from December 28, 2002.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)*

The reorganization charges, related payment activities for the year ended December 28, 2002 and the remaining liability at December 28, 2002 related to these detailed actions are summarized as follows:

	Reorganization Costs	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at December 28, 2002
Employee termination benefits	\$ 5,478	\$1,001	\$ —	\$ 4,477
Facility costs	25,281	38	—	25,243
Other costs	8,125	712	—	7,413
Total	\$38,884	\$1,751	\$ —	\$37,133

Quarter ended September 28, 2002

Reorganization costs for the third quarter 2002 were primarily comprised of employee termination benefits for workforce reductions worldwide; facility exit costs primarily comprised of lease exit costs for the closure of the Memphis, Tennessee configuration center and Harrisburg, Pennsylvania returns center, downsizing the Carol Stream, Illinois and Jonestown, Pennsylvania distribution centers, closing the European assembly facility and the consolidation of operations in Australia; and other costs associated with the reorganization activities. The Company anticipates that these restructuring actions will be substantially completed within twelve months from September 28, 2002.

The reorganization charges, related payment activities for the year ended December 28, 2002 and the remaining liability at December 28, 2002 related to these detailed actions are summarized as follows:

	Reorganization Costs	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at December 28, 2002
Employee termination benefits	\$ 5,425	\$ 3,241	\$(37)	\$ 2,147
Facility costs	15,397	6,949	48	8,496
Other costs	775	140	—	635
Total	\$21,597	\$10,330	\$ 11	\$11,278

The adjustments reflect lower cost of employee termination benefits in Other International totaling \$37 in the fourth quarter of 2002 and higher estimated lease obligations associated with the closure of the Harrisburg, Pennsylvania returns center totaling \$76 in the fourth quarter of 2002 due to lower than expected sublease income on the exited facility, partially offset by lower costs of terminating leases in Other International totaling \$28.

Quarter ended June 29, 2002

The Company's reorganization plan for the second quarter of 2002 primarily included employee termination benefits for workforce reductions worldwide and costs to exit facilities in Europe. The Company anticipates that these restructuring actions will be substantially completed within twelve months from June 29, 2002.

The reorganization charges, related payment activities for the year ended December 28, 2002 and the remaining liability at December 28, 2002 related to these detailed actions are summarized as follows:

	Reorganization Costs	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at December 28, 2002
Employee termination benefits	\$4,428	\$4,216	\$ —	\$212
Facility costs	525	525	—	—
Other costs	129	104	—	25
Total	\$5,082	\$4,845	\$ —	\$237

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)**Quarter ended March 30, 2002*

The Company's reorganization plan for the first quarter of 2002 primarily included facility exit costs, principally comprised of lease exit costs for facility consolidations in Europe and Other International operations, and employee termination benefits for workforce reductions worldwide. The Company anticipates that these restructuring actions will be substantially completed within twelve months from March 30, 2002.

The reorganization charges, related payment activities for the year ended December 28, 2002 and the remaining liability at December 28, 2002 related to these detailed actions are summarized as follows:

	Reorganization Costs	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at December 28, 2002
Employee termination benefits	\$1,774	\$1,813	\$ 68	\$ 29
Facility costs	1,636	1,636	—	—
Total	\$3,410	\$3,449	\$ 68	\$ 29

The adjustments reflect higher cost of employee termination benefits in North America and Other International totaling \$68 in the fourth quarter of 2002.

Quarter ended December 29, 2001

The Company's reorganization plan for the fourth quarter of 2001 included facility consolidations, primarily in Europe, and workforce reductions worldwide. These restructuring actions are substantially completed; however, future cash outlays will be required due to severance payment terms and future lease payments related to exited facilities.

The payment activities, adjustments for the year ended December 28, 2002 and the remaining liability at December 28, 2002 related to these detailed actions are summarized as follows:

	Outstanding Liability at December 29, 2001	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at December 28, 2002
Employee termination benefits	\$2,491	\$2,004	\$ (37)	\$450
Facility costs	2,111	1,529	(282)	300
Other costs	766	757	(9)	—
Total	\$5,368	\$4,290	\$(328)	\$750

The adjustments reflect lower cost of employee termination benefits in Other International totaling \$37; lower costs of terminating leases and other facilities costs in Other International totaling \$194 and terminating several leases in Europe totaling \$88; and lower other costs in Other International totaling \$9. These adjustments were recorded as credits to reorganization costs in the consolidated statement of income of \$240 and \$88 for the third and second quarters of 2002, respectively.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)**Quarter ended September 29, 2001*

The Company's reorganization plan for the third quarter of 2001 focused primarily in North America and Europe and, to a limited extent, Other International. This reorganization plan included facility consolidations in the Company's North American headquarters in Santa Ana, California and two warehouse and office facilities in Southern Europe, and headcount reductions in North America, Europe and Other International operations. These restructuring actions are substantially completed; however, future cash outlays will be required due to future lease payments related to exited facilities.

The payment activities, adjustments for the year ended December 28, 2002 and the remaining liability at December 28, 2002 related to these detailed actions are summarized as follows:

	Outstanding Liability at December 29, 2001	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at December 28, 2002
Employee termination benefits	\$ 7	\$ 7	\$ —	\$ —
Facility costs	4,228	3,897	135	466
Other costs	1,344	823	(521)	—
Total	\$5,579	\$4,727	\$(386)	\$466

The adjustments to facility costs reflect higher estimated lease obligations associated with the exit of the Santa Ana, California facility totaling \$135 in the fourth quarter of 2002 due to lower than expected sublease income on the exited facilities. The adjustment to other costs reflects the favorable settlement of a contract termination in Europe and was recorded as a credit to reorganization expense in the consolidated statement of income for the second quarter of 2002.

Quarter ended June 30, 2001

The Company's reorganization plan for the second quarter of 2001 focused primarily in North America and, to a limited extent, in Europe and Other International operations. This reorganization plan included the closure of the Newark and Fullerton, California distribution centers, downsizing the Miami, Florida distribution center, closing the returns processing centers in Santa Ana and Rancho Cucamonga, California and centralizing returns in the Harrisburg, Pennsylvania returns center; restructuring the North American sales force; consolidating the North American product management division; and reorganizing IT resources. These restructuring actions are substantially completed; however, future cash outlays will be required due to severance payment terms and future lease payments related to exited facilities.

The payment activities, adjustments for the year ended December 28, 2002 and the remaining liability at December 28, 2002 related to these detailed actions are summarized as follows:

	Outstanding Liability at December 29, 2001	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at December 28, 2002
Employee termination benefits	\$1,503	\$1,263	\$ —	\$ 240
Facility costs	2,525	3,754	2,797	1,568
Total	\$4,028	\$5,017	\$2,797	\$1,808

The adjustments to facility costs reflect higher estimated lease obligations associated with the exit of the Newark, California distribution center totaling \$120 in the fourth quarter of 2002, the Fullerton, California distribution center totaling \$330 and \$1,450 in the fourth and third quarters of 2002, respectively, and the Miami distribution center totaling \$897 in the second quarter of 2002 due to lower than expected sublease income on the exited facilities.

Notes to Consolidated Financial Statements (continued)

(Dollars in 000s, except per share data)

Profit Enhancement Program Implementation Costs

Other costs related to the implementation of the profit enhancement program announced in September 2002 included \$43,944 recorded as selling, general and administrative expenses, comprised of \$16,034 of incremental depreciation (\$12,268 in North America, \$3,688 in Europe and \$78 in Other International), resulting from the acceleration of estimated useful lives of fixed assets to coincide with the planned exit of certain facilities; \$7,642 for losses on disposals of assets associated with outsourcing certain IT infrastructure functions in North America; \$15,543 for consulting costs directly related to the profit enhancement program in North America; \$2,462 (\$2,112 in North America and \$350 in Other International) for recruiting, retention and training associated with the relocation of major functions; and \$2,263 of other costs primarily related to the Company's decision to exit certain markets in Europe. The program implementation also resulted in \$1,552 recorded in cost of sales, primarily comprised of incremental inventory and vendor-program related costs caused by the decision to exit certain markets in Europe.

Special Items

During the third and fourth quarters of 2001, the Company recorded special items of \$22,893, which were comprised of the following charges: \$10,227 for the write-off of electronic storefront technologies that were replaced by the Company with other solutions, and inventory management software, which was no longer required because of the Company's business process and systems improvements; an impairment charge of \$3,500 to reduce the Company's minority equity investment in an Internet-related company to estimated net realizable value; and \$9,166 to fully reserve for the Company's outstanding insurance claims with an independent and unrelated former credit insurer, which went into liquidation on October 3, 2001. As of December 28, 2002, the full amount of insurance claims has been written-off against the reserve.

Note 4 — Acquisitions

The Company accounts for all acquisitions after June 30, 2001 in accordance with Statements of Financial Accounting Standards No. 141, "Business Combinations." The results of operations of these businesses have been combined with the Company's results of operations beginning on their acquisition dates.

In June 2002, the Company increased its ownership in a Singapore-based subsidiary engaged in export operations by acquiring the remaining 49% interest held by minority shareholders. In addition, the Company acquired the Cisco Systems Inc. business unit of an IT distributor in The Netherlands in October 2002 and an IT distributor in Belgium in December 2002. The total purchase price for these acquisitions, consisting of aggregate net cash payments of approximately \$8,256 plus assumption of certain liabilities, was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the dates of acquisition, resulting in the recording of approximately \$9,159 of goodwill.

In December 2001, the Company concluded a business combination involving certain assets and liabilities of its former subdistributor in the People's Republic of China. In addition, during September 2001, the Company acquired certain assets of an IT distribution business in the United Kingdom. The purchase price for these transactions, consisting of aggregate cash payments of \$15,923 plus assumption of certain liabilities, was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the transaction dates, resulting in the recording of approximately \$105,376 of goodwill.

The results of operations for companies acquired in 2002 and 2001 were not material to the Company's consolidated results of operations on an individual or aggregate basis, and accordingly, pro forma results of operations have not been presented.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)***Note 5 — Accounts Receivable**

In March 2000, the Company entered into a revolving five-year accounts receivable securitization program in the U.S., which provides for the issuance of up to \$700,000 in commercial paper secured by undivided interests in a pool of transferred receivables. In connection with this program, most of the Company's U.S. trade accounts receivable are transferred without recourse to a trust, in exchange for a beneficial interest in the total pool of trade receivables. In addition, the trust has issued \$25,000 of fixed-rate, medium-term certificates, also secured by undivided interests in the pool of transferred receivables. Sales of undivided interests to third parties under this program result in a reduction of total accounts receivable in the Company's consolidated balance sheet. The excess of the trade accounts receivable transferred over amounts sold to and held by third parties at any one point in time represents the Company's retained interest in the transferred accounts receivable and is shown in the Company's consolidated balance sheet as a separate caption under accounts receivable. Retained interests are carried at their fair market value, estimated as the net realizable value, which considers the relatively short liquidation period and includes an estimated provision for credit losses. At December 28, 2002 and December 29, 2001, the amount of undivided interests sold to and held by third parties totaled \$75,000, and \$80,000, respectively.

The Company also has certain other trade accounts receivable based facilities in Europe and Canada, which provide up to approximately \$270,000 of additional financing capacity. Under these programs, approximately \$142,253 of trade accounts receivable were sold to and held by third parties at December 29, 2001, resulting in a further reduction of trade accounts receivable in the Company's consolidated balance sheet at that date. No trade accounts receivable were sold to and held by third parties at December 28, 2002 under these programs.

The aggregate amount of trade accounts receivable sold to and held by third parties under the U.S., European, and Canadian programs, or off-balance sheet debt, as of December 28, 2002 and December 29, 2001 totaled approximately \$75,000 and \$222,253, respectively.

Losses in the amount of \$9,363, \$20,332 and \$13,351 in 2002, 2001 and 2000, respectively, related to the sale of trade accounts receivable under these facilities are included in other expenses in the Company's consolidated statement of income.

Note 6 — Property and Equipment

Property and equipment consist of the following:

	Fiscal Year End	
	2002	2001
Land	\$ 8,722	\$ 8,891
Buildings and leasehold improvements	126,555	104,395
Distribution equipment	206,698	203,207
Computer equipment and software	307,943	333,012
	649,918	649,505
Accumulated depreciation	(399,674)	(345,672)
	\$ 250,244	\$ 303,833

Notes to Consolidated Financial Statements (continued)
(Dollars in 000s, except per share data)

Note 7 — Long-Term Debt

The Company's long-term debt consists of the following:

	Fiscal Year End	
	2002	2001
Revolving unsecured credit facilities and other long-term debt	\$ 92,088	\$ 252,803
Convertible debentures	427	405
European revolving trade accounts receivable backed financing facility	49,585	—
Senior subordinated notes	223,846	204,899
	<u>365,946</u>	<u>458,107</u>
Current maturities of long-term debt	(124,894)	(252,803)
	<u>\$ 241,052</u>	<u>\$ 205,304</u>

On December 13, 2002, the Company entered into a \$150,000 revolving senior unsecured credit facility with a bank syndicate that expires in December 2005. Under this facility, the Company is required to comply with certain financial covenants, including minimum tangible net worth, restrictions on funded debt and interest coverage. This facility also restricts the amount of dividends the Company can pay, as well as the amount of common stock that it can repurchase annually. The Company had no borrowings outstanding under this credit facility at December 28, 2002. This facility may also be used to support letters of credit. At December 28, 2002, letters of credit totaling approximately \$12,650 were issued, principally to certain vendors to support purchases by the Company's subsidiaries.

Effective June 28, 2002, the Company entered into a three-year European revolving trade accounts receivable backed financing facility for approximately \$112,000 with a financial institution that has an arrangement with a third party issuer of commercial paper. The facility requires certain commitment fees and a minimum borrowing requirement of approximately \$16,779 over the term of the agreement. Borrowings under the facility incur financing costs at rates indexed to EuroLIBOR. The Company's ability to access financing under this facility is dependent upon the level of eligible trade accounts receivable of one of its European subsidiaries and the availability and level of market demand for commercial paper. If the third-party issuer is unable to issue commercial paper, or the credit ratings of the issuer or the financial institution providing liquidity support are downgraded or if there are other disruptions of the commercial paper market, the Company could lose access to financing under this program. At December 28, 2002, the Company had outstanding borrowings of \$49,585 under this facility, of which \$16,779 is reflected as long-term debt, to reflect the minimum borrowing requirement pursuant to the agreement.

On August 16, 2001, the Company sold \$200,000 of 9.875% Senior Subordinated Notes due 2008 to qualified institutional buyers pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended, at an issue price of 99.382%, resulting in cash proceeds of approximately \$195,084 (net of issuance costs of approximately \$3,680). The Company subsequently registered the exchange of these Senior Subordinated Notes under the Securities Act of 1933, as amended. Under the terms of these notes, the Company is required to comply with certain restrictive covenants, including restrictions on the incurrence of additional indebtedness, the amount of dividends the Company can pay and the amount of common stock the Company can repurchase.

Interest on the notes is payable semi-annually in arrears on each February 15 and August 15. The Company may redeem any of the notes beginning on August 15, 2005 with an initial redemption price of 104.938% of their principal amount plus accrued interest. The redemption price of the notes will be 102.469% plus accrued interest beginning on August 15, 2006 and will be 100% of their principal amount plus accrued interest beginning on August 15, 2007. In addition, on or before August 15, 2004, the Company may redeem an aggregate of 35% of the notes at a redemption price of 109.875% of their principal amount plus accrued interest using the proceeds from sales of certain kinds of common stock.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)*

On August 16, 2001, the Company also entered into interest rate swap agreements with two financial institutions, the effect of which was to swap the Company's fixed rate obligation on the Company's Senior Subordinated Notes for a floating rate obligation based on 90-day LIBOR plus 4.260%. All other financial terms of the interest rate swap agreement are identical to those of the Senior Subordinated Notes, except for the quarterly payment of interest, which will be on November 15, February 15, May 15 and August 15 in each year, commencing on November 15, 2001 and ending on the termination date of the swap agreement. At December 28, 2002 and December 29, 2001, the marked-to-market value of the interest rate swap amounted to \$24,840, and \$6,070, respectively, which is recorded in other assets with an offsetting adjustment to the hedged debt, bringing the total carrying value of the Senior Subordinated Notes to \$223,846 and \$204,899, respectively.

On June 9, 1998, the Company sold \$1,330,000 aggregate principal amount at maturity of its Zero Coupon Convertible Senior Debentures due 2018 in a private placement. Gross proceeds from the offering were \$460,400, which represented a yield to maturity of 5.375% per annum. In 2000, the Company repurchased convertible debentures with carrying values of \$235,219 for \$231,330 in cash, resulting in an extraordinary gain of \$2,420, net of taxes of \$1,469. In 2001, the Company repurchased more than 99% of the remaining outstanding convertible debentures with a total carrying value of \$220,733 for \$224,977 in cash, resulting in an extraordinary loss of \$2,610, net of tax benefits of \$1,634. At December 28, 2002 and December 29, 2001, the Company's remaining convertible debentures had an outstanding balance of \$427 and \$405, respectively, and were convertible into approximately 5,000 shares of its Class A Common Stock at both dates.

The Company had a \$500,000 revolving senior credit facility with a bank syndicate that expired in October 2002. At December 29, 2001, the Company had \$2,000 in outstanding borrowings under this credit facility.

The Company also has additional lines of credit, commercial paper, short-term overdraft facilities, and other credit facilities with various financial institutions worldwide, which provide for borrowing capacity aggregating \$312,428, and \$584,626 at December 28, 2002 and December 29, 2001, respectively. Most of these arrangements are on an uncommitted basis and are reviewed periodically for renewal. At December 28, 2002 and December 29, 2001, the Company had \$92,088 and \$250,803, respectively, outstanding under these facilities. The weighted average interest rate on the outstanding borrowings under these credit facilities was 5.4% and 5.2% per annum at December 28, 2002 and December 29, 2001, respectively.

Annual maturities of the Company's long-term debt as of December 28, 2002 are as follows: \$124,894 in 2003, \$17,206 in 2004, and \$223,846 in 2008.

The Company is required to comply with certain financial covenants under some of its financing facilities, including minimum tangible net worth, restrictions on funded debt and interest coverage. The Company is also restricted in the amount of dividends it can pay as well as the amount of common stock that it can repurchase annually. At December 28, 2002, the Company was in compliance with these financial covenants.

Note 8 — Income Taxes

The components of income before taxes, extraordinary item and cumulative effect of adoption of a new accounting standard consist of the following:

	Fiscal Year		
	2002	2001	2000
United States	\$3,058	\$17,163	\$332,241
Foreign	5,940	(1,228)	30,268
Total	\$8,998	\$15,935	\$362,509

Notes to Consolidated Financial Statements (continued)

(Dollars in 000s, except per share data)

The provision for income taxes before extraordinary item and cumulative effect of adoption of a new accounting standard consist of the following:

	Fiscal Year		
	2002	2001	2000
Current:			
Federal	\$ 9,901	\$(15,165)	\$ 55,038
State	2,364	(6,656)	4,626
Foreign	31,176	20,856	28,335
	<u>43,441</u>	<u>(965)</u>	<u>87,999</u>
Deferred:			
Federal	(4,917)	21,150	58,418
State	(2,493)	7,827	6,537
Foreign	(32,702)	(21,424)	(14,198)
	<u>(40,112)</u>	<u>7,553</u>	<u>50,757</u>
Provision for income taxes	<u>\$ 3,329</u>	<u>\$ 6,588</u>	<u>\$138,756</u>

Deferred income taxes reflect the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred tax assets and liabilities are as follows:

	Fiscal Year Ended	
	2002	2001
Net deferred tax assets and (liabilities):		
Net operating loss carryforwards	\$ 79,845	\$ 71,197
Allowance on accounts receivable	22,093	10,159
Tax credit carryforwards	19,097	26,839
Inventories	(8,349)	(2,537)
Realized gain on available-for-sale securities not currently taxable	(120,647)	(118,229)
Depreciation and amortization	(35,517)	(50,111)
Other	18,809	(8,969)
	<u>(24,669)</u>	<u>(71,651)</u>
Unrealized gain on available-for-sale securities	<u>—</u>	<u>428</u>
Total	<u>\$ (24,669)</u>	<u>\$ (71,223)</u>

Net current deferred tax assets of \$35,267, and \$9,707 were included in other current assets at December 28, 2002 and December 29, 2001, respectively. Net non-current deferred tax liabilities of \$59,936 and \$80,930 are included in other liabilities at December 28, 2002 and December 29, 2001, respectively.

The Company has deferred tax liabilities of \$2,418, \$42,131 and \$76,098 related to its sale of Softbank common stock in 2002, 2000 and 1999, respectively (see Note 2). The Softbank common stock was sold in the public market by certain of Ingram Micro's foreign subsidiaries, which are located in a low-tax jurisdiction. At the time of sale, the Company concluded that U.S. taxes were not currently payable on the gains based on its internal assessment and opinions received from its advisors. However, in situations involving uncertainties in the interpretation of complex tax regulations by various taxing authorities, the Company provides for deferred tax liabilities unless it considers it probable that taxes will not be due. The level of opinions received from its advisors and the Company's internal assessment did not allow the Company to reach that conclusion on this matter. Although the Company reviews its assessments in these matters on a regular basis, it cannot currently determine when this matter will be finally resolved with the taxing authorities, or if the deferred taxes of \$2,418, \$42,131 and \$76,098 for the 2002, 2000 and 1999 sales, respectively, will ultimately be paid. Accordingly the Company continues to provide for these tax liabilities. If the Company is successful in obtaining a favorable resolution of this matter, the Company's tax provision would be reduced to reflect the elimination of some or all of these deferred tax liabilities. However, in the event of an unfavorable resolution, the Company believes that it will be able to fund any such taxes that may be assessed on this matter with available sources of liquidity. The Company's federal tax returns for fiscal years through 1998 have been closed. The U.S. IRS has begun an examination process related to the Company's federal tax returns for fiscal year 1999 and has surveyed such returns.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)*

Reconciliation of statutory U.S. federal income tax rate to the Company's effective rate is as follows:

	Fiscal Year		
	2002	2001	2000
U.S. statutory rate	\$3,149	\$ 5,577	\$126,878
State income taxes, net of federal income tax benefit	(83)	1,171	11,163
Effect of international operations	834	(4,537)	(2,968)
Goodwill	—	4,352	4,731
Other	(571)	25	(1,048)
Total tax provision	\$3,329	\$ 6,588	\$138,756

At December 28, 2002, the Company had net operating tax loss carryforwards of \$325,824 of which approximately 76% have no expiration date. The remaining net operating tax loss carryforwards expire through the year 2012.

The Company does not provide for income taxes on undistributed earnings of foreign subsidiaries as such earnings are intended to be permanently reinvested in those operations.

Note 9 — Transactions with Related Parties

The Company has loans receivable from certain of its executive officers and other associates. These loans, ranging up to \$500, have interest rates ranging from 0.0% to 6.75% per annum and are payable from 15 days to five years. All loans to executive officers, unless granted prior to their election to such position, were approved by the Human Resources Committee of the Company's Board of Directors and were granted prior to July 30, 2002, the effective date of the Sarbanes-Oxley Act of 2002. No material modification or renewals to these loans to executive officers have been made since that date or subsequent to the employee's election as an executive officer of the Company, if later. At December 28, 2002 and December 29, 2001, the Company's employee loans receivable balance was \$1,310, and \$1,598, respectively.

Note 10 — Commitments and Contingencies

There are various claims, lawsuits and pending actions against the Company incidental to its operations. It is the opinion of management that the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

As is customary in the IT distribution industry, the Company has arrangements with certain finance companies that provide inventory financing facilities for its customers. In conjunction with certain of these arrangements, the Company has agreements with the finance companies that would require it to repurchase certain inventory, which might be repossessed, from the customers by the finance companies. Due to various reasons, including among other items, the lack of information regarding the amount of saleable inventory purchased from the Company still on hand with the customer at any point in time, the Company's repurchase obligations relating to inventory cannot be reasonably estimated. Repurchases of inventory by the Company under these arrangements have been insignificant to date.

The Company leases the majority of its facilities and certain equipment under noncancelable operating leases. Renewal and purchase options at fair values exist for a substantial portion of the leases. Rental expense for the years ended 2002, 2001, and 2000 was \$92,489, \$97,555 and \$99,030, respectively.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)*

In December 2002, the Company entered into an agreement with a third-party provider of IT outsourcing services. The services to be provided include mainframe, major server, desktop and enterprise storage operations, wide-area and local-area network support and engineering; systems management services; help desk services; and worldwide voice/PBX. This agreement expires in December 2009, but is cancelable at the option of the Company subject to payment of termination fees of up to \$7,369 in 2003 and declining monthly to \$400 by December 2009.

Future minimum rental commitments on operating leases that have remaining noncancelable lease terms in excess of one year as well as minimum contractual payments under the IT outsourcing agreement as of December 28, 2002 were as follows:

2003	\$ 81,898
2004	81,232
2005	77,068
2006	59,278
2007	53,688
Thereafter	208,681
	<hr/>
	\$561,845

The above minimum payments have not been reduced by minimum sublease rental income of \$47,543 due in the future under noncancelable sublease agreements as follows: \$5,427, \$5,099, \$4,130, \$3,894, \$4,195 and \$24,798 in 2003, 2004, 2005, 2006, 2007 and thereafter, respectively.

Note 11 — Segment Information

The Company operates predominantly in a single industry segment as a distributor of information technology products and services. The Company's operating segments are based on geographic location, and the measure of segment profit is income from operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Geographic areas in which the Company operated in 2002 included North America (United States and Canada), Europe (Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Italy, The Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, and the United Kingdom) and Other International (Australia, The People's Republic of China [including Hong Kong], India, Malaysia, New Zealand, Singapore, Thailand, Argentina, Brazil, Chile, Mexico, and Peru). Effective in 2002, the Company combined its U.S. and Canadian operations and now reports these entities as its North American segment consistent with the Company's current management organizational structure. The Company's Canadian operations were previously reported under Other International operations. Prior year amounts have been reclassified to conform to the current segment structure. Inter-geographic sales primarily represent intercompany sales that are accounted for based on established sales prices between the related companies and are eliminated in consolidation.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)*

Financial information by geographic segments is as follows:

	As of and for the Fiscal Year Ended		
	2002	2001	2000
Net sales			
North America			
Sales to unaffiliated customers	\$12,132,099	\$14,882,004	\$19,949,072
Intergeographic sales	147,459	169,452	192,339
Europe	7,150,128	7,156,840	7,472,265
Other International	3,177,038	3,148,089	3,293,812
Eliminations of intergeographic sales	(147,459)	(169,452)	(192,339)
Total	\$22,459,265	\$25,186,933	\$30,715,149
Income (loss) from operations			
North America	\$ 36,498	\$ 104,673	\$ 299,257
Europe	12,739	13,642	51,105
Other International	971	(25,385)	3,075
Total	\$ 50,208	\$ 92,930	\$ 353,437
Identifiable assets			
North America	\$ 3,391,571	\$ 3,369,369	\$ 4,364,751
Europe	1,278,812	1,264,164	1,514,109
Other International	473,971	668,474	730,122
Total	\$ 5,144,354	\$ 5,302,007	\$ 6,608,982
Capital expenditures			
North America	\$ 38,401	\$ 62,206	\$ 102,113
Europe	10,773	14,598	34,839
Other International	5,505	9,634	9,152
Total	\$ 54,679	\$ 86,438	\$ 146,104
Depreciation			
North America	\$ 70,791	\$ 70,837	\$ 64,196
Europe	21,297	17,257	16,610
Other International	6,675	5,923	5,665
Total	\$ 98,763	\$ 94,017	\$ 86,471
Goodwill Amortization			
North America	\$ —	\$ 6,374	\$ 5,760
Europe	—	3,300	5,467
Other International	—	11,289	10,812
Total	\$ —	\$ 20,963	\$ 22,039

Supplemental information relating to reorganization costs, special items and other profit enhancement program costs by geographic segment is as follows:

	Fiscal Year		
	2002	2001	2000
Reorganization costs			
North America	\$55,662	\$26,088	\$—
Europe	12,644	13,574	—
Other International	2,829	1,749	—
Total	\$71,135	\$41,411	\$—
Special items			
North America	\$ —	\$18,868	\$—
Other International	—	4,025	—
Total	\$ —	\$22,893	\$—
Other profit enhancement program costs			
Charged to cost of sales			
Europe	\$ 1,552	\$ —	\$—
Charged to operating expenses			
North America	\$37,565	\$ —	\$—
Europe	5,951	—	—
Other International	428	—	—
Total	\$43,944	\$ —	\$—

Note 12 — Stock Options and Equity Incentive Plans

The following summarizes the Company's existing stock option and equity incentive plans.

Rollover Stock Option Plan

Certain of the Company's employees participated in the qualified and non-qualified stock option and stock appreciation right ("SAR") plans of the Company's former parent, Ingram Industries Inc. ("Industries"). In conjunction with the Company's split-off from Industries in 1996, Industries options and SARs held by the Company's employees and certain other Industries options, SARs and Incentive Stock Units ("ISUs") were converted to or exchanged for Ingram Micro options ("Rollover Stock Options"). Approximately 11,000,000 Rollover Stock Options were outstanding immediately following the conversion. All Rollover Stock Options were fully vested in 2001 and no such options expire later than 10 years from the date of grant.

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)***Equity Incentive Plans**

In 2002, the Company had three existing equity incentive plans, the 1996, 1998, and 2000 Equity Incentive Plans (collectively called “the Equity Incentive Plans”) which provide for the grant of stock-based awards including incentive stock options, non-qualified stock options, restricted stock, and stock appreciation rights, among others, to key employees and members of the Company’s board of directors. Under the three plans, the Company’s board of directors authorized 47,000,000 shares to be made available for grants. As of December 28, 2002, approximately 11,000,000 shares were available for grant. Options granted under the Equity Incentive Plans were issued at exercise prices ranging from \$7.00 to \$53.56 per share and have expiration dates not longer than 10 years from the date of grant. The options granted generally vest over a period of one to five years. In 2002 and 2001, the Company granted a total of 17,322 and 55,973 shares, respectively, of restricted Class A Common Stock to board members and an executive under the 2000 Plan. These shares have no purchase price and vest ratably over a period of one to three years. The Company recorded unearned compensation in 2002 and 2001 of \$310 and \$790, respectively, as a component of stockholders’ equity.

In August 2001, the human resources committee of the Company’s board of directors authorized a modification of the exercise schedule to retirees under the Equity Incentive Plans. The modification extended the exercise period upon retirement (as defined in the Equity Incentive Plans) from 12 months to 60 months for outstanding options as of August 1, 2001 and for all options granted thereafter, but not to exceed the contractual life of the option. Compensation expense will be recorded upon the retirement of eligible employees and is calculated based on the excess of the fair value of the Company’s stock on the modification date (\$14.28 per share) over the exercise price of the modified option multiplied by the number of vested but unexercised options outstanding upon retirement. A noncash compensation charge of \$835 and \$69 was recorded in 2002 and 2001, respectively, relating to this modification.

A summary of activity under the Company’s stock option plans is presented below:

	Shares (000s)	Weighted Exercise Price
Outstanding at January 1, 2000	19,043	\$16.90
Stock options granted during the year	10,016	13.52
Stock options exercised	(1,621)	6.41
Forfeitures	(3,031)	19.01
Outstanding at December 30, 2000	24,407	15.93
Stock options granted during the year	7,412	15.21
Stock options exercised	(2,630)	7.57
Forfeitures	(2,887)	20.15
Outstanding at December 29, 2001	26,302	16.15
Stock options granted during the year	7,233	15.66
Stock options exercised	(1,627)	6.38
Forfeitures	(2,516)	17.72
Outstanding at December 28, 2002	29,392	16.42

Notes to Consolidated Financial Statements (continued)*(Dollars in 000s, except per share data)*

The following table summarizes information about stock options outstanding and exercisable at December 28, 2002.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at December 28, 2002 (000s)	Weighted-Average Remaining Life	Weighted-Average Exercise Price	Number Exercisable at December 28, 2002 (000s)	Weighted-Average Exercise Price
\$0.68 - \$3.32	195	0.5	\$ 3.13	195	\$ 3.13
\$7.00	660	1.3	7.00	660	7.00
\$10.63 - \$12.13	4,723	7.1	11.63	3,082	11.64
\$12.56 - \$15.40	9,026	8.4	13.49	3,521	13.29
\$16.20- \$19.69	11,503	6.8	17.49	5,685	17.58
\$20.75 - \$27.00	1,011	3.0	24.26	907	24.14
\$27.06 - \$53.56	2,274	3.6	32.93	1,767	33.26
	29,392		16.42	15,817	16.98

Stock options exercisable totaled approximately 15,817,000 and 12,567,000 at December 28, 2002 and December 29, 2001, respectively, at weighted average exercise prices of \$16.98 and \$16.34, respectively.

Employee Stock Purchase Plans

In 1998, the board of directors and the Company's shareholders approved the 1998 Employee Stock Purchase Plan (the "Plan") under which 3,000,000 shares of the Company's Class A Common Stock could be sold to employees. Under the Plan, employees can elect to have between 1% and 6% of their earnings withheld to be applied to the purchase of these shares. The purchase price under the Plan is generally the lesser of the market price on the beginning or ending date of the offering periods. Under the 1998 Plan, offerings were made both in January and July of 2002 and 2001. The 2002 and 2001 offerings ended on December 31, 2002 and 2001, respectively. In January 2003 and 2002, the Company issued approximately 38,000 and 109,000 of the authorized shares and converted approximately \$470 and \$1,277, respectively, in accrued employee contributions into stockholders' equity as a result.

Employee Benefit Plans

The Company's employee benefit plans permit eligible employees to make contributions up to certain limits, which are matched by the Company at stipulated percentages. The Company's contributions charged to expense were \$5,046 in 2002, \$5,031 in 2001, and \$4,530 in 2000.

Note 13 — Common Stock

Prior to November 6, 2001, the Company had two classes of Common Stock, consisting of 500,000,000 authorized shares of \$0.01 par value Class A Common Stock and 135,000,000 authorized shares of \$0.01 par value Class B Common Stock, and 25,000,000 authorized shares of \$0.01 par value Preferred Stock. Class A stockholders are entitled to one vote on each matter to be voted on by the stockholders whereas Class B stockholders were entitled to ten votes on each matter to be voted on by the stockholders. The two classes of stock have the same rights in all other respects. On November 6, 2001, all outstanding shares of the Company's Class B Common Stock were automatically converted into shares of Class A Common Stock on a one-for-one basis in accordance with the terms of the Company's certificate of incorporation.

Notes to Consolidated Financial Statements (continued)
(Dollars in 000s, except per share data)

The detail of changes in the number of issued and outstanding shares of Class A Common Stock, Class B Common Stock, and Redeemable Class B Common Stock for the three-year period ended December 28, 2002, is as follows:

	Common Stock		
	Class A	Class B	Class B Redeemable
January 1, 2000	71,212,517	72,738,016	542,855
Stock options exercised	1,620,890	—	—
Repurchase of redeemable Class B Common Stock	—	—	(12,657)
Conversion of Class B Common Stock to Class A Common Stock	2,858,408	(2,858,408)	—
Vesting of redeemable Class B Common Stock	—	530,198	(530,198)
Issuance of Class A Common Stock related to Employee Stock Purchase Plan	144,300	—	—
Forfeiture of restricted Class A Common Stock	(38,000)	—	—
December 30, 2000	75,798,115	70,409,806	—
Stock options exercised	2,629,714	—	—
Repurchase of Class B Common Stock	—	(5,550)	—
Conversion of Class B Common Stock to Class A Common Stock	70,404,256	(70,404,256)	—
Issuance of Class A Common Stock Related to Employee Stock Purchase Plan	138,235	—	—
Grant of restricted Class A Common Stock	55,973	—	—
Forfeiture of restricted Class A Common Stock	(1,500)	—	—
December 29, 2001	149,024,793	—	—
Stock options exercised	1,626,973	—	—
Issuance of Class A Common Stock related to Employee Stock Purchase Plan	109,267	—	—
Grant of restricted Class A Common Stock	17,322	—	—
December 28, 2002	150,778,355	—	—

MANAGEMENT’S STATEMENT OF FINANCIAL RESPONSIBILITY

Management is responsible for the integrity of the financial information contained in this annual report, including the Company’s consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles and include amounts based upon management’s informed estimates and judgments.

Management believes it maintains an effective system of internal accounting controls, including an internal audit program, that is designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that accounting records provide a reliable basis for the preparation of financial statements. This system is continuously reviewed, improved and modified in response to changing business conditions and operations and recommendations made by the independent accountants and internal auditors. Management believes that the accounting and control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Company’s Bylaws provide that a majority of the members of the audit committee of the board of directors shall be independent directors who are not employees of the Company. The audit committee is currently comprised entirely of independent directors. The audit committee represents the board of directors on matters relating to corporate accounting, financial reporting, internal accounting control and auditing, including the ongoing assessment of the activities of the independent accountants and internal auditors. The independent accountants and internal auditors advise the audit committee of significant findings and recommendations arising from their activities and have free access to the audit committee, with or without the presence of management.

/s/ KENT B. FOSTER

Kent B. Foster
Chairman of the Board and
Chief Executive Officer

/s/ THOMAS A. MADDEN

Thomas A. Madden
Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Ingram Micro Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of stockholders’ equity and of cash flows present fairly, in all material respects, the financial position of Ingram Micro Inc. and its subsidiaries at December 28, 2002 and December 29, 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 28, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, effective December 30, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets.”

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Los Angeles, California
February 20, 2003

BOARD OF DIRECTORS

KENT B. FOSTER

Chairman and Chief Executive Officer
Ingram Micro Inc.

JOHN R. INGRAM

Chairman
Ingram Distribution Holdings

MARTHA R. INGRAM

Chairman of the Board
Ingram Industries Inc.

ORRIN H. INGRAM II

President and Chief Executive Officer
Ingram Industries Inc.

DALE R. LAURANCE

President
Occidental Petroleum Corporation

GERHARD SCHULMEYER

Professor of Practice
MIT Sloan School of Management

MICHAEL T. SMITH

Former Chairman and Chief Executive Officer
Hughes Electronics Corporation

JOE B. WYATT

Chancellor Emeritus
Vanderbilt University

CORPORATE MANAGEMENT

KENT B. FOSTER

Chairman and Chief Executive Officer

MICHAEL J. GRAINGER

President and Chief Operating Officer

GUY P. ABRAMO

Executive Vice President and Chief Strategy and Information Officer

THOMAS A. MADDEN

Executive Vice President and Chief Financial Officer

JAMES E. ANDERSON, JR.

Senior Vice President, Secretary and General Counsel

MATTHEW A. SAUER

Senior Vice President, Human Resources

JAMES F. RICKETTS

Corporate Vice President and Treasurer

REGIONAL MANAGEMENT

HANS T. KOPPEN

Executive Vice President and President

Ingram Micro Asia-Pacific

ALAIN MONIE

Executive Vice President

KEVIN M. MURAI

Executive Vice President and President

Ingram Micro North America

GREGORY M. E. SPIERKEL

Executive Vice President and President

Ingram Micro Europe

ASGER FALSTRUP

Senior Vice President and President

Ingram Micro Latin America

CORPORATE OFFICES

Ingram Micro Inc.

1600 E. St. Andrew Place

Santa Ana, CA 92705

Phone: 714.566.1000

ANNUAL MEETING

The 2003 Annual Meeting of Shareowners will be held at 10 a.m. (Pacific Daylight Time), Wednesday, May 7, 2003 at Ingram Micro Inc., 1600 E. St. Andrew Place, Santa Ana, CA 92705. Shareowners are cordially invited to attend.

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles, CA 90071
Phone: 213.356.6000

TRANSFER AGENT AND REGISTRAR

EquiServe Trust Company, N.A.
P.O. Box 43069
Providence, RI 02940-3069
Web: www.equiserve.com
Phone: 877.498.8861
TDD: 800.952.9245

COMMON STOCK

The Class A Common Stock of Ingram Micro is traded on the New York Stock Exchange under the symbol IM.

Price Range of Class A Common Stock

		HIGH	LOW
Fiscal 2002	First Quarter	\$18.85	\$15.10
	Second Quarter	16.70	12.76
	Third Quarter	13.85	10.00
	Fourth Quarter	15.68	11.52
Fiscal 2001	First Quarter	\$16.85	\$10.69
	Second Quarter	15.40	12.41
	Third Quarter	15.45	12.00
	Fourth Quarter	17.40	12.08

SHAREOWNER INQUIRIES

Request for information may be sent to the Investor Relations Department at our Corporate offices.

Investor Relations telephone information line: 714.382.8282.

Investor Relations e-mail address: investor.relations@ingrammicro.com.

Additional information also is available on our Web site: www.ingrammicro.com/corp.

**INGRAM MICRO INC.,
a Delaware Corporation,**
Global Subsidiaries as of March 21, 2003

North America Region

	Name of Subsidiary	Jurisdiction
1.	CD Access Inc.	Iowa
2.	IMI Washington Inc.	Delaware
3.	Ingram Funding Inc.	Delaware
4.	Ingram Micro Asia Holdings Inc. (1)	California
5.	Ingram Micro CLBT Inc.	Delaware
6.	Ingram Micro Delaware Inc.	Delaware
7.	Ingram Micro CLBT (2)	Pennsylvania
8.	Ingram Micro L.P. (3)	Tennessee
9.	Ingram Micro Texas L.P. (4)	Texas
10.	Ingram Micro Inc.	Ontario, Canada
11.	Ingram Micro Holdco Inc.	Ontario, Canada
12.	Ingram Micro LP (5)	Ontario, Canada
13.	Ingram Micro Logistics LP (5)	Ontario, Canada
14.	Ingram Micro Japan Inc.	Delaware
15.	Ingram Micro Management Company	California
16.	Ingram Micro Singapore Inc.	California
17.	Ingram Micro Taiwan Inc.	Delaware
18.	Ingram Micro Texas LLC (6)	Delaware
19.	Intelligent Advanced Systems, Inc. (7)	Delaware
20.	Intelligent Distribution Services, Inc. (7)	Delaware
21.	Intelligent Express, Inc. (7)	Pennsylvania
22.	Intelligent SP, Inc.	Colorado
23.	RND, Inc. (7)	Colorado

**INGRAM MICRO INC.,
a Delaware Corporation,**
Global Subsidiaries as of March 21, 2003

Latin America Region

	Name of Subsidiary	Jurisdiction
24.	Computeek Enterprises (U.S.A.) Inc. (7)	Florida
25.	Ingram Export Company Ltd.	Barbados
26.	Ingram Micro de Costa Rica, S. de R.L. (8)	Costa Rica
27.	Ingram Micro Compañia de Servicios, S.A. de C.V. (9)	Mexico
28.	Ingram Micro Latin America & Caribbean Inc.	Delaware
29.	Ingram Micro Latin America	Cayman Islands
30.	Ingram Micro Argentina, S.A.	Argentina
31.	Ingram Micro Chile, S.A. (10)	Chile
32.	Ingram Micro do Brazil Holdings Ltda. (11)	Brazil
33.	Ingram Micro Brazil Ltda (12)	Brazil
34.	Ingram Micro Peru, S.A. (13)	Peru
35.	Ingram Micro Caribbean	Cayman Islands
36.	Ingram Micro Logistics Inc. (14)	Cayman Islands
37.	CIM Ventures Inc. (15)	Cayman Islands
38.	Ingram Micro Mexico, S.A. de C.V. (9)	Mexico
39.	Export Services Inc.	California
40.	Ingram Micro Panama, S. de R.L. (8)	Panama
41.	Ingram Micro SB Holdings Inc.	Cayman Islands
42.	Ingram Micro SB Inc.	California

Europe Region

	Name of Subsidiary	Jurisdiction
43.	Ingram Micro A.S. (16)	Norway
44.	Ingram Micro AB	Sweden
45.	Ingram Micro A/S	Denmark
46.	Ingram Micro Logistics A/S	Denmark
47.	Ingram Micro Logistics Oy	Finland
48.	Ingram Micro OY	Finland
49.	Ingram Micro Logistics AB	Sweden
50.	Ingram Micro Acquisition GmbH	Germany
51.	Ingram Micro B.V.	The Netherlands
52.	Bright Communications B.V.	The Netherlands
53.	Ingram Micro Europe AG	Switzerland
54.	Ingram Micro Holding GmbH (17)	Germany
55.	Ingram Micro Games GmbH	Germany
56.	Ingram Micro Components (Europe) GmbH	Germany
57.	Ingram Micro Europe GmbH	Germany
58.	Ingram Macrotron AG fur Datenerfassungs systeme	Germany

INGRAM MICRO INC.,
a Delaware Corporation,
Global Subsidiaries as of March 21, 2003

59.	Macrotron Systems GmbH	Germany (Munich)
60.	Macrotron Process Technologies GmbH	Germany (Munich)
61.	Macrotron (UK) Ltd	United Kingdom
62.	Ingram Micro Distribution GmbH	Germany (Munich)
63.	Compu-Shack Electronic GmbH	Germany
64.	Compu-Shack Praha s.r.o. (7)	Czech Republic
65.	Compu-Shack Distribution Electronic GmbH	Germany
66.	Compu-Shack Production Electronic GmbH	Germany
67.	Ingram Micro Hungary Ltd (18)	Hungary
68.	Ingram Micro (UK) Holdings Ltd	United Kingdom
69.	Ingram Micro Finance Center of Excellence Ltd	United Kingdom
70.	Ingram Micro P&W Ltd	United Kingdom
71.	Ingram Micro Ltd	United Kingdom
72.	Ingram Micro Europe N.V./S.A.	Belgium
73.	Ingram Micro Coordination Center BVBA/SPRL	Belgium
74.	Ingram Micro N.V./S.A. (19)	Belgium
75.	Vapriya N.V. (20)	Belgium
76.	Handelsmaatschappij voor Computers N.V. (20)	Belgium
77.	Ingram Micro Polska Sp. z o. o.	Poland
78.	Ingram Micro Purchasing & Warehousing Sp. z o. o.	Poland
79.	Ingram Micro S.A.	Spain
80.	Ingram Micro Purchasing & Warehousing S.A.	Spain
81.	Ingram Micro Sarl (21)	France
82.	Ingram Micro Purchasing & Warehousing Sarl (21)	France
83.	Ingram Micro S.p.A. (22)	Italy
84.	Ingram Micro Purchasing & Warehousing Srl (23)	Italy
85.	Ingram Micro (Portugal) Comercio Internacional & Serviços Sociedade Unipessoal LDA	Portugal
86.	Ingram Micro GmbH	Austria
87.	Ingram Micro AG	Switzerland

INGRAM MICRO INC.,
a Delaware Corporation,
Global Subsidiaries as of March 21, 2003

Asia-Pacific Region

	Name of Subsidiary	Jurisdiction
88.	Ingram Micro Asia Ltd (24)	Singapore
89.	Electronic Resources Pakistan Pte Ltd (7)	Singapore
90.	Electronic Resources Systems Pte Ltd (7)	Singapore
91.	Eltee Electronics Pte Ltd (7)	Singapore
92.	Erijaya Pte Ltd (60%)	Singapore
93.	Ingram Micro Australia Pty Ltd (25)	Australia
94.	Electronic Resources Australia (Qld) Pty Ltd (7)	Australia
95.	Electronic Resources Australia (Vic) Pty Ltd (7) (26)	Australia
96.	Ingram Micro Holding (Thailand) Ltd (27)	Thailand
97.	Ingram Micro (Thailand) Ltd (28)	Thailand
98.	Ingram Micro Hong Kong (Holding) Ltd (7) (29)	Hong Kong
99.	Chinam Electronics Limited (7) (30)	Hong Kong
100.	Ingram Micro (China) Ltd (30)	Hong Kong
101.	Ingram Micro International Trading (Shanghai) Co., Ltd	China
102.	Ingram Micro India Private Limited	India
103.	Ingram Micro Malaysia Sdn Bhd	Malaysia
104.	Ingram Micro NZ Ltd (70%)	New Zealand
105.	Ingram Micro Singapore (Indo-China) Pte Ltd (80%)	Singapore
106.	Ingram Micro Singapore (South Asia) Pte Ltd	Singapore
107.	Ingram Micro Components Asia Pte Ltd (31)	Singapore
108.	ERIM Sdn Bhd (7)	Malaysia
109.	LT Electronics Sdn Bhd (7)	Malaysia
110.	Megawave Pte Ltd (7)	Singapore

Footnotes:

- (1) Parent of Ingram Micro Asia Ltd, under Asia-Pacific region.
- (2) Pennsylvania business trust, with Ingram Micro Delaware Inc. as trustee and Ingram Micro CLBT Inc. as beneficiary.
- (3) Tennessee limited partnership, with Ingram Micro Inc. (Delaware) as general partner and Ingram Micro Delaware Inc. as limited partner.
- (4) Texas limited partnership, with Ingram Micro Texas LLC (dba IMTX LLC) as general partner and Ingram Micro Delaware Inc. as limited partner.
- (5) Ingram Micro Holdco is general partner with 0.1% interest and Ingram Micro Inc., an Ontario, Canada corporation is limited partner with 99.9% interest.
- (6) Single member limited liability company with Ingram Micro Inc. (Delaware) as its sole member, dba IMTX LLC in Texas.
- (7) Dormant.
- (8) 99.998% owned by Ingram Micro Latin America and .002% owned by Ingram Micro Caribbean.
- (9) 99.998% owned by Ingram Micro Inc. (Delaware) and .002% owned by Ingram Micro Caribbean.

INGRAM MICRO INC.,
a Delaware Corporation,
Global Subsidiaries as of March 21, 2003

Footnotes (continued):

- (10) 99% owned by Ingram Micro Latin America & Caribbean Inc. and 1% owned by Ingram Micro Caribbean.
- (11) 99.999% owned by Ingram Micro Latin America and .001% owned by Ingram Micro Caribbean.
- (12) 99% owned by Ingram Micro do Brazil Holdings Ltda. and 1% owned by Ingram Micro Caribbean.
- (13) 99.99% owned by Ingram Micro Latin America & Caribbean Inc., .005% owned by Ingram Micro Caribbean and .005% owned by Ingram Micro Inc. (Delaware).
- (14) 40,000,000 voting preferred shares owned by Ingram Micro Inc. (Delaware) and 10,000,000 non-voting common shares owned by Ingram Micro SB Inc.
- (15) 346,800 non-voting shares owned by Ingram Micro Logistics Inc. and 55 Class A preferred voting shares owned by Ingram Micro SB Holdings Inc.
- (16) 2.08% owned by Ingram Micro AB.
- (17) 3.23% owned by Ingram Micro Delaware Inc.
- (18) 65.6% owned by Ingram Micro Holding GmbH and 34.4% owned by Compu-Shack Electronic GmbH.
- (19) 1 share owned by Ingram Micro Delaware Inc.
- (20) 1 share owned by Ingram Micro Europe N.V.
- (21) 1 share owned by Ingram Micro N.V.
- (22) 97% owned by Ingram Micro Inc. and 3% by Ingram Micro N.V.
- (23) 99% owned by Ingram Micro SpA and 1% by Ingram Micro N.V.
- (24) Ingram Micro Asia Holdings Inc. owns 99.998% of the issued share capital and 0.002% held by individuals.
- (25) Ingram Micro Inc. owns 99.577% of the issued share capital and Ingram Micro Asia Ltd owns 0.423%.
- (26) 76% of shares owned by Ingram Micro Australia Pty Limited and 24% owned by Ingram Micro Asia Ltd.
- (27) 51% of shares in Ingram Micro Holding (Thailand) Ltd. are held in trust by nominee Thai shareholders on behalf of Ingram Micro Asia Ltd. and 49% held by Ingram Micro Asia Ltd. and in trust by nominee shareholders on behalf of Ingram Micro Asia Ltd.
- (28) 99.999% of shares owned by Ingram Micro Inc. and 0.001% held in trust by nominee shareholders on behalf of Ingram Micro Inc.
- (29) 50% of shares owned by Ingram Micro Asia Ltd and 50% held by nominee shareholder in trust for Ingram Micro Asia Ltd.
- (30) 51% of shares owned by Ingram Micro Hong Kong (Holding) Ltd and 49% owned by Ingram Micro Asia Ltd.
- (31) Formerly, Ingram Micro (S.E.A.) Pte Ltd.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-23821, 333-23823, 333-23825, 333-23827, 333-43447, 333-52807, 333-52809 and 333-39780) of Ingram Micro Inc. of our report dated February 20, 2003 relating to the financial statements, which appears in the Annual Report to Shareowners which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 20, 2003 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Los Angeles, California
March 21, 2003

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-39457 and 333-93783) of Ingram Micro Inc. of our report dated February 20, 2003 relating to the financial statements, which appears in the Annual Report to Shareowners, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 20, 2003 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Los Angeles, California
March 21, 2003

**CAUTIONARY STATEMENTS FOR PURPOSES OF THE
“SAFE HARBOR” PROVISIONS OF THE PRIVATE
SECURITIES LITIGATION REFORM ACT OF 1995**

The Private Securities Litigation Reform Act of 1995 (the “Act”) provides a “safe harbor” for “forward-looking statements” to encourage companies to provide prospective information, so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statement(s). Ingram Micro desires to take advantage of the safe harbor provisions of the Act.

Our Annual Report on Form 10-K for the year ended December 28, 2002 to which this exhibit is appended, our quarterly reports on Form 10-Q, our current reports on Form 8-K, periodic press releases, as well as other public documents and statements, may contain forward-looking statements within the meaning of the Act, including, but not limited to, management’s expectations for operating income improvements from our profit enhancement programs; competition; revenues, expenses and other operating results or ratios; economic conditions; liquidity; capital requirements; and exchange rate fluctuations. Forward-looking statements also include any statement that may predict, forecast, indicate or imply future results, performance, or achievements. Forward-looking statements can be identified by the use of terminology such as “believe,” “anticipate,” “expect,” “estimate,” “may,” “will,” “should,” “project,” “continue,” “plans,” “aims,” “intends,” “likely,” or other similar words or phrases

We disclaim any duty to update any forward-looking statements.

In addition, our representatives participate from time to time in:

- speeches and calls with market analysts,
- conferences, meetings and calls with investors and potential investors in our securities, and
- other meetings and conferences.

Some of the information presented in these calls, meetings and conferences may be forward-looking within the meaning of the Act.

Our actual results could differ materially from those projected in forward-looking statements made by or on behalf of Ingram Micro. In this regard, from time to time, we have failed to meet consensus analyst earnings estimates. In future quarters, our operating results may be below the expectations of public market analysts or investors. The following factors (in addition to other possible factors not listed) could affect our actual results and cause these results to differ materially from those expressed in forward-looking statements made by us or on our behalf. Because of our narrow margin, the impact of the risk factors stated below may magnify the impact on our operating results and financial condition.

We may not achieve the objectives of our profit enhancement program.

In September 2002, we announced a comprehensive profit enhancement program to further accelerate our ongoing business improvement program, which is designed to improve operating income through enhancements in gross margins and reductions of selling, general and administrative expenses.

Our planned improvements in operating income were calculated based on a flat annual sales scenario for 2003 and 2004, as compared to our internal forecasts at that time for 2002, with a significant portion of these improvements coming from our North American region. In addition, our flat sales scenario was not intended to represent a sales projection by our management; rather, it was used for modeling purposes only. Our actual operating income improvements over the program term will vary depending on our actual revenues. We may not achieve our planned operating income improvements under the program if macroeconomic or other industry conditions and/or demand for IT products, particularly in North America, continue to deteriorate significantly in 2003 or beyond.

Our continued pursuit and implementation of process improvements and organization changes, including those through our profit enhancement program announced in the second half of 2002, to create cost reductions or improve margins across all regions, subject our business to a number of risks and difficulties which may adversely impact the benefits of such actions and negatively impact our operating results, including:

- diversion of management's attention to restructuring operations and personnel from daily operations;
- the inability to manage and retain key personnel and customers;
- the inability to realize cost savings due to existing systems and/or operational structures in our different geographic markets, and in our supplier and customer organizations;
- significant costs, including severance costs, lease and contract termination costs, or other exit costs; and
- other potential adverse short-term effects on our operating results.

We have also outsourced a significant portion of our IT infrastructure to a third-party provider, Affiliated Computer Services, Inc. ("ACS"). ACS will provide equipment and service to support certain of our IT infrastructure located in North America, such as mainframe, major server, desktop and enterprise storage operations; wide area and local area network support and engineering; systems management services; internal associate help desk services; and worldwide voice/PBX. We will maintain responsibility for our company's IT strategy and architecture, worldwide application development, quality assurance, and customer and partner programs internally. This outsourcing initiative represents a significant portion of the anticipated cost savings, which were included in our profit enhancement plan announced in September 2002. The transaction could result in a material diversion of resources. Additionally, if the transition to ACS of our IT infrastructure is not completed effectively or in a timely manner, it could result in significant disruption to our operations or significant additional cost.

The failure to achieve the objectives of our profit enhancement program as announced in September 2002 or other process or organizational changes, in whole or in part, or any delay in implementing

components of the program, could have a material adverse effect on our business, financial condition and results of operations.

We are subject to intense competition, both in the United States and internationally.

We operate in a highly competitive environment, both in the United States and internationally. The intense competition that characterizes the IT products and services distribution industry is based primarily on:

- breadth, availability and quality of product lines and services;
- price;
- terms and conditions of sale;
- credit terms and availability;
- speed and accuracy of delivery;
- ability to tailor specific solutions to customer needs;
- effectiveness of sales and marketing programs; and
- availability of technical and product information.

Our competitors include regional, national, and international distributors, as well as suppliers that employ a direct-sales model. As a result of intense price competition in the IT products and services distribution industry, our gross margins have historically been narrow and we expect them to continue to be narrow in the future. In addition, when there is overcapacity in our industry, as is currently the case, our competitors may reduce their prices in response to this overcapacity.

A significant percentage of our net sales relates to products sold to us by relatively few suppliers or publishers. We generated approximately 41% of our net sales in fiscal 2002 from products purchased from our three largest suppliers. Hewlett-Packard Company ("HP") and Compaq Computer Company ("Compaq"), which was acquired by HP in 2002, have been treated for this purpose as a single combined company since the beginning of the current year and considered one of these suppliers. HP has communicated its intent to increase the level of business it transacts directly with end-users and/or resellers in certain product categories, customer segments, and/or geographies. As a result, our net sales have been and could be further negatively affected.

We offer no assurance that we will not lose market share, or that we will not be forced in the future to reduce our prices in response to the actions of our competitors and thereby experience a further reduction in our gross margins. Furthermore, to remain competitive we may be forced to offer more credit or extended payment terms to our customers. This could increase our required capital, financing costs, and the amount of our bad debt.

We have initiated and continue to initiate other business activities and may face competition from companies with more experience and/or new entries in those new markets. For example, there has been an accelerated movement among transportation and logistics companies to provide fulfillment and e-commerce supply chain services. Within this arena, we face competition from major transportation and

logistics suppliers such as Exel, Menlo, and UPS Supply Chain Services; electronic manufacturing services providers such as Solelectron and Flextronics; and media companies such as Technicolor. As we enter new business areas, we may also encounter increased competition from current competitors and/or from new competitors, some of which may be our current customers or suppliers, which may negatively impact our sales or profitability.

Terminations of a supply or services agreement or a significant change in supplier terms or conditions of sale could negatively affect our operating margins, revenue or the level of capital required to fund our operations.

A significant percentage of our net sales relates to products sold to us by relatively few suppliers or publishers. As a result of such concentration risk, terminations of supply or services agreements or a significant change in the terms or conditions of sale from one or more of our partners could negatively affect our operating margins, revenue or the level of capital required to fund our operations.

Our suppliers have the ability to make, and in the past have made, rapid and significantly adverse changes in their sales terms and conditions, such as reducing the amount of price protection and return rights as well as reducing the level of purchase discounts and rebates they make available to us. In most cases, we have no guaranteed price or delivery agreements with suppliers. In certain product categories, such as systems, limited price protection or return rights offered by suppliers may have a bearing on the amount of product we may be willing to stock. In this regard, effective November 2002, HP, which is one of our top three suppliers, implemented new contract terms and conditions which have pushed additional costs into the distribution channel by reducing existing incentives, product returns rights and price protection coverage, among other terms. To lessen the impact of these changes by HP, we continue to evaluate and make changes to our pricing policies and terms and conditions of sale to our customers. However, no assurance can be given that we will be successful in lessening the impact of these changes on our future results or that our gross margins and/or sales will not be adversely affected by these changes in terms and conditions. We expect restrictive supplier terms and conditions to continue in the foreseeable future. Our inability to pass through to our reseller customers the impact of these changes, as well as our failure to develop systems to manage ongoing supplier pass-through programs, could cause us to record inventory write-downs and could have a material negative impact on our gross margins.

We receive purchase discounts and rebates from suppliers based on various factors, including sales or purchase volume and breadth of customers. These purchase discounts and rebates may affect gross margins. Many purchase discounts from suppliers are based on percentage increases in sales of products. Due to the current size of our net sales base, it may become more difficult for us to achieve the percentage growth in sales required to maintain our current level of rebates or discounts. This is particularly true in an environment of declining demand for IT products and services, as is currently the case. Our operating results could be negatively impacted if these rebates or discounts are reduced or eliminated.

Our ability to obtain particular products or product lines in the required quantities and to fulfill customer orders on a timely basis is critical to our success. The IT industry experiences significant product supply shortages and customer order backlogs from time to time due to the inability of certain suppliers to supply certain products on a timely basis. As a result, we have experienced, and may in the future continue to experience, short-term shortages of specific products. In addition, suppliers who currently distribute their products through us may decide to distribute, or to substantially increase their existing distribution, through other distributors, their own dealer networks, or directly to resellers or end-users. In addition, in the case of software, alternative means of distribution, such as site licenses and electronic distribution, are emerging. If suppliers are not able to provide us with an adequate supply of products to fulfill our customer orders on a timely basis or we cannot otherwise obtain particular products

or a product line or suppliers substantially increase their existing distribution through other distributors, their own dealer networks, or directly to resellers, our reputation, sales and profitability may suffer.

We may not be able to adequately adjust our cost structure in a timely fashion in response to a decrease in demand, which may cause our profitability to suffer.

We seek to continually institute more effective operational and expense controls to reduce selling, general and administrative, or SG&A, expenses as a percentage of net sales. However, a significant portion of our SG&A expense is comprised of personnel, facilities and costs of invested capital. Historically, we have monitored and controlled the growth in operating costs in relation to overall net sales growth and continue to pursue and implement process and organizational changes to provide sustainable operating efficiencies. However, in the event of a significant downturn in net sales, as is currently the case, we may not be able to exit facilities, reduce personnel, or improve business processes, or make other significant changes to our cost structure without significant disruption to our operations or without significant termination and exit costs. Additionally, management may not be able to implement such actions, if at all, in a timely manner to offset a shortfall in net sales and gross profit. As a result, our profitability may suffer.

We are dependent on a variety of information systems and a failure of these systems could disrupt our business and harm our reputation and net sales.

We depend on a variety of information systems for our operations, particularly our centralized IMpulse information processing system, which supports more than 40 operational functions, including:

- inventory management;
- order processing;
- shipping;
- receiving; and
- accounting.

At the core of IMpulse is on-line, real-time distribution software, which supports basic order entry and processing and customers' shipments and returns. Although we have not in the past experienced material system-wide failures or downtime of IMpulse or any of our other information systems, we have experienced failures in IMpulse in certain specific geographies. Failures or significant downtime for IMpulse could prevent us from taking customer orders, printing product pick-lists, and/or shipping product. It could also prevent customers from accessing our price and product availability information. From time to time we may acquire other businesses having information systems and records, which must be converted and integrated into IMpulse or other Ingram Micro information systems. This can be a lengthy and expensive process that results in a material diversion of resources from other operations. In addition, because IMpulse is comprised of a number of legacy, internally developed applications, it can be harder to upgrade, and may not be adaptable to commercially available software. Particularly as our needs or technology in general evolve, we may experience greater than acceptable difficulty or cost in upgrading IMpulse, or we may be required to replace IMpulse entirely.

We are currently transitioning the outsourcing of a significant portion of our IT infrastructure to a third-party provider. The transaction could result in a material diversion of resources. If the transition is

not completed effectively or in a timely manner, it could result in significant disruption to our operations or significant additional cost.

We also rely on the Internet for a significant percentage of our orders and information exchanges with our customers. The Internet and individual websites have experienced a number of disruptions and slowdowns, some of which were caused by organized attacks. In addition, some websites have experienced security breakdowns. To date, our website has not experienced any material breakdowns, disruptions or breaches in security; however, we cannot assure that this will not occur in the future. If we were to experience a security breakdown, disruption or breach that compromised sensitive information, this could harm our relationship with our customers or suppliers. Disruption of our website or the Internet in general could impair our order processing or more generally prevent our customers and suppliers from accessing information. This could cause us to lose business.

We believe that customer information systems and product ordering and delivery systems, including Internet-based systems, are becoming increasingly important in the distribution of technology products and services. As a result, we are continually enhancing our customer information systems by adding new features, including on-line ordering through the Internet. However, we offer no assurance that competitors will not develop superior customer information systems or that we will be able to meet evolving market requirements by upgrading our current systems at a reasonable cost, or at all. Our inability to develop competitive customer information systems or upgrade our current systems could cause our business and market share to suffer.

If the current downturn in economic conditions continues for a long period of time or worsens, it will likely have an adverse impact on our business.

The IT industry in general, and the IT products and services distribution industry in particular, have recently experienced a severe downturn in demand. This downturn has resulted in a decline in our net sales and gross profit. In addition, the downturn impacts the financial results of our customers. If the current downturn continues or worsens we may experience significant operating losses, elevated levels of obsolete inventory, and larger bad debt losses.

We have significant credit exposure to our reseller customers and negative trends in their businesses could cause us significant credit loss.

We extend credit to our reseller customers for a significant portion of our net sales. Resellers have a period of time, generally 30 to 60 days after date of invoice, to make payment. We are subject to the risk that our reseller customers will not pay for the products they have purchased. The risk that we may be unable to collect on receivables may increase if our reseller customers experience decreases in demand for their products and services or otherwise become less stable, due to adverse economic conditions. If there is a substantial deterioration in the collectibility of our receivables or if we cannot obtain credit insurance at reasonable rates or are unable to collect under existing credit insurance policies, our earnings, cash flows and our ability to utilize receivable-based financing could deteriorate.

We are subject to the risk that our inventory values may decline and protective terms under supplier agreements may not adequately cover the decline in values.

The IT products industry is subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory in stock to decline substantially in value or to become obsolete. It is the policy of many suppliers of IT products to offer distributors like us, who purchase directly from them, limited protection from the loss in value of inventory due to technological change or such suppliers' price reductions. For example, we can receive a credit from some suppliers for products, based upon the terms and conditions with those suppliers, in the event of a supplier price reduction. In addition, we have a limited right to return to some suppliers a certain percentage of purchases. These policies are often not embodied in written agreements and are subject to the discretion of the suppliers. As a result, these policies do not protect us in all cases from declines in inventory value. We offer no assurance that our price protection will continue, that unforeseen new product developments will not materially adversely affect us, or that we will successfully manage our existing and future inventories.

During an economic downturn, which we are currently experiencing, it is possible that prices will decline due to an oversupply of product, and therefore, there may be greater risk of declines in inventory value. If major suppliers decrease the availability of price protection to us, such a change in policy could lower our gross margins on products we sell or cause us to record inventory write-downs. We expect the restrictive supplier terms and conditions to continue for the foreseeable future. We are also exposed to inventory risk to the extent that supplier protections are not available on all products or quantities and are subject to time restrictions. In addition, suppliers may become insolvent and unable to fulfill their protection obligations to us.

Future terrorist or military actions could result in disruption to our operations or loss of assets, in certain markets or globally.

Future terrorist or military actions, in the U.S. or abroad, could result in destruction or seizure of assets or suspension or disruption of our operations. Additionally, such actions could affect the operations of our suppliers or customers, resulting in loss of access to products, potential losses on supplier programs, loss of business, higher losses on receivables or inventory, and/or other disruptions in our business, which could negatively affect our operating results. We do not carry broad insurance covering such terrorist or military actions, and even if we were to seek such coverage, the cost would likely be prohibitive.

We are dependent on key individuals in our company, and our ability to retain our personnel.

Because of the nature of our business, which includes (but is not limited to) high volume of transactions, business complexity, wide geographical coverage, and broad scope of products, suppliers, and customers, we are dependent in large part on our ability to retain the services of our key management, sales, IT, operational, and finance personnel. Our continued success is also dependent upon our ability to retain and recruit other qualified employees, including highly skilled technical, managerial, and marketing personnel, to meet our needs. Competition for qualified personnel is intense, particularly in technical areas such as IT. In addition, we have recently announced restructuring actions designed to reduce our investment in personnel. These reductions could negatively impact our relationships with our workforce, or make hiring other employees more difficult. We may not be successful in attracting and retaining the personnel we require, which could have a material adverse effect on our business. Additionally, changes in workforce, including government regulations, collective bargaining agreements or the availability of qualified personnel could disrupt operations or increase our operating cost structure.

Because of the capital-intensive nature of our business, we need continued access to capital. Changes in our credit rating, or other market factors may increase our interest expense or other costs of capital, or capital may not be available to us on acceptable terms to fund our working capital needs.

Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. This is especially true when our business is expanding, including through acquisitions, but we still have substantial demand for capital even during periods of stagnant or declining net sales, which we are currently experiencing. In order to continue operating our business, we will continue to need access to capital, including debt financing. In addition, changes in payment terms with either suppliers or customers could increase our capital requirements. The capital we require may not be available on terms acceptable to us, or at all. Changes in our credit ratings, as well as macroeconomic factors such as fluctuations in interest rates or a general economic downturn, may restrict our ability to raise the necessary capital in adequate amounts or on terms acceptable to us, and the failure to do so could harm our ability to operate or expand our business.

Our international operations impose risks upon our business, such as exchange rate fluctuations.

We operate, through our subsidiaries, in a number of countries outside the United States, and we expect our international net sales to increase as a percentage of total net sales in the future. Our international net sales and operating costs are primarily denominated in currencies other than the U.S. dollar. Accordingly, our international operations impose risks upon our business as a result of exchange rate fluctuations. We have operations in countries which may have a greater risk of exchange rate fluctuations. Exchange rate fluctuations may cause our international revenues or costs to fluctuate significantly when reflected in U.S. dollar terms. In some countries outside the United States, operations are accounted for primarily on a U.S. dollar-denominated basis. In the event of an unexpected devaluation of the local currency in those countries (as occurred in Argentina in early 2002), we may experience significant foreign exchange losses. In addition, our operations may be significantly adversely affected as a result of the general economic impact of the devaluation of the local currency.

Our international operations are subject to other risks such as:

- the imposition of governmental controls in jurisdictions in which we operate;
- export license requirements;
- restrictions on the export of certain technology to certain jurisdictions;
- political instability in jurisdictions in which we operate;
- trade restrictions in jurisdictions in which we operate;
- tariff changes in jurisdictions in which we operate;
- difficulties in staffing and managing our international operations;
- difficulties in collecting accounts receivable and longer collection periods; and
- the impact of local economic conditions and practices on our business.

Failure to attract new sources of business from expansion of products or services or entry into new markets could negatively impact our future operating results.

The IT industry is subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. We continue to look for new markets for products and services to keep up with changes in demand and to respond to competition and other changes in the distribution industry. Failure to successfully attract new sources of business could result in loss of revenue in the future and negatively impact our operating results.

Rapid changes in the operating environment for IT distributors have placed significant strain on our business, and we offer no assurance that our ability to successfully manage future adverse industry trends.

Dynamic changes in the industry have resulted in new and increased responsibilities for management personnel and have placed and continue to place a significant strain upon our management, operating and financial systems, and other resources. This strain may result in disruptions to our business and decreased revenues and profitability. In addition, we may not be able to attract or retain sufficient personnel to manage our operations through such dynamic changes. Even with sufficient personnel we cannot assure our ability to successfully manage future adverse industry trends. Also crucial to our success in managing our operations will be our ability to achieve additional economies of scale. Our failure to achieve these additional economies of scale could harm our profitability.

Integration of our acquired businesses and similar transactions involve various risks and difficulties.

We have in the past pursued, and may pursue, from time to time, acquisitions, joint ventures, and other strategic relationships to complement or expand our existing business, which may adversely impact the benefits of such efforts and our business generally, including:

- diversion of management's attention to the integration of the operations and personnel of the acquired companies;
- the inability to manage and retain key personnel and customers;
- the inability to convert the acquired companies' management information systems to ours;
- potential adverse short-term effects on our operating results;
- the possibility that we could incur or acquire substantial debt in connection with the acquisitions;
- the logistical difficulties inherent in expanding into new geographic markets and business areas;
- the difficulty inherent in understanding local business practices;
- asset impairment charges resulting from acquired intangible assets; and
- the need to present a unified corporate image.

We recorded a significant non-cash charge in the first quarter of 2002 for the cumulative effect of adoption of a new accounting standard, and future periodic assessments under this or other new accounting standards may result in additional non-cash charges.

In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"), we no longer amortize goodwill or indefinite-lived intangible assets effective the beginning of fiscal 2002. Instead, these assets were reviewed for impairment upon adoption and will be reviewed for impairment at least annually. Impairment is based on the valuation of individual reporting units. The valuation methods used include estimated net present value of projected future cash flows of these reporting units. As a result of the implementation of FAS 142, we recorded a non-cash charge for the cumulative effect of the change in accounting principle upon adoption of \$280.9 million, net of taxes, in the first quarter of 2002.

Significant changes in the use of our assets, negative industry or economic trends, significant under-performance relative to historical or projected future operating results, changes in market discount rates, or a substantial decline in our stock price could result in a substantial decline in the value of our goodwill, intangible assets or other long-lived assets, which could require us to record additional impairment charges in the future.

Our quarterly results have fluctuated significantly in the past and will likely continue to do so, which may cause the market price of our securities to fluctuate.

Our quarterly net sales and operating results have varied significantly in the past and will likely continue to do so in the future as a result of:

- seasonal variations in the demand for our products and services, such as lower demand in Europe during the summer months, increased Canadian government purchasing in the first quarter and worldwide pre-holiday stocking in the retail channel during the September-to-November period;
- competitive conditions in our industry, which may impact the prices charged by our suppliers and/or competitors and the prices we charge customers;
- variations in our levels of excess inventory and doubtful accounts, and changes in the terms of supplier-sponsored programs such as price protection and return rights;
- changes in the level of our operating expenses;
- the impact of acquisitions we may make;
- the impact of and possible disruption caused by our reorganization efforts;
- the introduction by us or our competitors of new products and services offering improved features and functionality;
- the loss or consolidation of one or more of our significant suppliers or customers;
- product supply constraints;
- interest rate fluctuations, which may increase our borrowing costs, and may influence the willingness of customers and end-users to purchase products and services;

- currency fluctuations in countries in which we operate;
- the impact of world events; or
- general economic conditions.

Given the general slowdown in the global economy and specifically the demand for IT products and services, these historical variations may not be indicative of future trends. Our narrow operating margins may magnify the impact of the foregoing factors on our operating results. We believe that you should not rely on period-to-period comparisons of our operating results as an indication of future performance. In addition, the results of any quarterly period are not indicative of results to be expected for a full fiscal year.

We are dependent on third-party shipping companies for the delivery of our products.

We rely almost entirely on arrangements with third-party shipping companies for the delivery of our products. The termination of our arrangements with one or more of these third-party shipping companies, or the failure or inability of one or more of these third-party shipping companies to deliver products from suppliers to us or products from us to our reseller customers or their end-user customers, could disrupt our business and harm our reputation and net sales.

* * * * *

We operate our global business in a continually changing environment that involves numerous risks and uncertainties. It is not reasonable for us to itemize all of the factors that could affect us and/or the information technology products and services distribution industry as a whole. Future events that may not have been anticipated or discussed here could adversely affect our business, financial condition, results of operations or cash flows.

Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act

The certification below is being submitted to the Securities and Exchange Commission solely for the purpose of complying with Section 1350 of Chapter 63 of Title 18 of the United States Code.

In my capacity as chief executive officer of Ingram Micro Inc., I hereby certify that, to the best of my knowledge, Ingram Micro Inc.'s Annual Report on Form 10-K for the fiscal period ended December 28, 2002 as filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of Ingram Micro Inc.

/s/ Kent B. Foster

Name: Kent B. Foster

Title: Chairman and Chief Executive Officer

Dated: March 25, 2003

Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

The certification below is being submitted to the Securities and Exchange Commission solely for the purpose of complying with Section 1350 of Chapter 63 of Title 18 of the United States Code.

In my capacity as chief financial officer of Ingram Micro Inc., I hereby certify that, to the best of my knowledge, Ingram Micro Inc.'s Annual Report on Form 10-K for the fiscal period ended December 28, 2002 as filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such periodic report fairly presents, in all material respects, the financial condition and results of operations of Ingram Micro Inc.

/s/ Thomas A. Madden

Name: Thomas A. Madden

Title: Executive Vice President and Chief Financial Officer

Dated: March 25, 2003