

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JULY 3, 1999

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 92799-5125
(Address, including zip code, of principal executive offices)(714) 566-1000
(Registrant's telephone number, including area code)

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 ☐

The Registrant had 69,864,853 shares of Class A Common Stock, par value \$.01 per share, and 73,098,364 shares of Class B Common Stock, par value \$.01 per share, outstanding at July 3, 1999.

INGRAM MICRO INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INGRAM MICRO INC.

CONSOLIDATED BALANCE SHEET
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

	JULY 3, 1999 ----- (UNAUDITED)	JANUARY 2, 1999 -----
ASSETS		
Current assets:		
Cash	\$ 142,500	\$ 96,682
Trade accounts receivable (less allowances of \$64,674 and \$55,904 at July 3, 1999 and January 2, 1999, respectively)	2,664,804	2,562,050
Inventories	2,848,583	3,094,227
Other current assets	309,267	278,591
	-----	-----
Total current assets	5,965,154	6,031,550
Property and equipment, net	280,533	254,718
Goodwill, net	439,265	232,112
Other	307,260	215,024
	-----	-----
Total assets	\$ 6,992,212	\$ 6,733,404
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,589,572	\$ 3,306,045
Accrued expenses	296,238	254,627
Current maturities of long-term debt	29,480	38,978
	-----	-----
Total current liabilities	3,915,290	3,599,650
Convertible debentures	428,639	473,475
Other long-term debt	926,006	1,208,003
Other	56,404	45,205
	-----	-----
Total liabilities	5,326,339	5,326,333
	-----	-----
Commitments and contingencies		
Redeemable Class B Common Stock	3,837	7,814
	-----	-----
Stockholders' equity:		
Preferred Stock, \$0.01 par value, 1,000,000 shares authorized; no shares issued and outstanding	--	--
Class A Common Stock, \$0.01 par value, 265,000,000 shares authorized; 69,864,853 and 66,520,715 shares issued and outstanding at July 3, 1999 and January 2, 1999, respectively	699	665
Class B Common Stock, \$0.01 par value, 135,000,000 shares authorized; 73,646,489 and 75,459,710 shares issued and outstanding (including 548,125 and 1,116,250 redeemable shares) at July 3, 1999 and January 2, 1999, respectively	731	743
Additional paid in capital	622,348	591,235
Retained earnings	904,209	811,616
Accumulated other comprehensive income (loss)	134,087	(4,914)
Unearned compensation	(38)	(88)
	-----	-----
Total stockholders' equity	1,662,036	1,399,257
	-----	-----
Total liabilities and stockholders' equity	\$ 6,992,212	\$ 6,733,404
	=====	=====

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF INCOME
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JULY 3, 1999	JULY 4, 1998	JULY 3, 1999	JULY 4, 1998
Net sales	\$ 6,804,813	\$ 4,956,121	\$ 13,530,088	\$ 10,106,209
Cost of sales	6,436,985	4,640,639	12,803,006	9,460,817
Gross profit	367,828	315,482	727,082	645,392
Expenses:				
Selling, general and administrative	258,175	204,884	525,684	418,670
Reorganization costs	2,050	--	8,284	--
	260,225	204,884	533,968	418,670
Income from operations	107,603	110,598	193,114	226,722
Other (income) expense:				
Interest income	(1,336)	(1,393)	(2,655)	(2,806)
Interest expense	25,642	15,896	50,866	35,136
Net foreign currency exchange loss	948	1,219	624	2,794
Other	2,731	2,259	3,514	4,971
	27,985	17,981	52,349	40,095
Income before income taxes	79,618	92,617	140,765	186,627
Provision for income taxes	29,279	36,992	51,950	74,466
Income before extraordinary item	50,339	55,625	88,815	112,161
Extraordinary gain on repurchase of debentures, net of \$2,405 in income taxes	--	--	3,778	--
Net income	\$ 50,339	\$ 55,625	\$ 92,593	\$ 112,161
Basic earnings per share:				
Income before extraordinary item	\$ 0.35	\$ 0.40	\$ 0.62	\$ 0.81
Extraordinary gain on repurchase of debentures	--	--	0.03	--
Net income	\$ 0.35	\$ 0.40	\$ 0.65	\$ 0.81
Diluted earnings per share:				
Income before extraordinary item	\$ 0.34	\$ 0.37	\$ 0.60	\$ 0.75
Extraordinary gain on repurchase of debentures	--	--	0.03	--
Net income	\$ 0.34	\$ 0.37	\$ 0.63	\$ 0.75

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN 000S)
(UNAUDITED)

	TWENTY-SIX WEEKS ENDED	
	JULY 3, 1999	JULY 4, 1998
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net income	\$ 92,593	\$ 112,161
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	35,262	26,121
Amortization of goodwill	10,252	4,162
Deferred income taxes	(9,456)	89
Gain on repurchase of debentures	(3,778)	--
Noncash interest charge	12,178	1,738
Noncash compensation charge	1,018	2,294
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	140,855	(216,068)
Inventories	322,125	519,422
Other current assets	(22,784)	18,252
Accounts payable	132,020	(266,536)
Accrued expenses	44,838	(47,495)
Cash provided by operating activities	755,123	154,140
CASH (USED) PROVIDED BY INVESTING ACTIVITIES:		
Purchases of property and equipment	(57,819)	(59,967)
Proceeds from sale of property and equipment	7,652	--
Acquisitions, net of cash acquired	(227,019)	(8,085)
Other	(3,136)	(4,403)
Cash used by investing activities	(280,322)	(72,455)
CASH (USED) PROVIDED BY FINANCING ACTIVITIES:		
Redemption of Redeemable Class B Common Stock	(70)	(335)
Exercise of stock options including tax benefits	12,187	39,673
Proceeds from issuance of convertible debentures	--	449,604
Repurchase of convertible debentures	(50,321)	--
(Repayments) proceeds of debt	(5,821)	10,816
Net repayments under revolving credit facilities	(379,323)	(559,976)
Cash used by financing activities	(423,348)	(60,218)
Effect of exchange rate changes on cash	(5,635)	(278)
Increase in cash	45,818	21,189
Cash, beginning of period	96,682	92,212
Cash, end of period	\$ 142,500	\$ 113,401
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments during the period:		
Interest	\$ 50,782	\$ 35,489
Income taxes	42,422	69,539

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Ingram Micro Inc. (the "Company" or "Ingram Micro") is primarily engaged in wholesale distribution of computer-based technology products and services worldwide. The Company conducts the majority of its operations in North America, Europe, Latin America, and Asia Pacific.

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments necessary to present fairly the financial position of the Company and its wholly-owned and majority-owned subsidiaries as of July 3, 1999, their results of operations for the thirteen and twenty-six weeks ended July 3, 1999 and July 4, 1998 and their cash flows for the twenty-six weeks ended July 3, 1999 and July 4, 1998. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the thirteen and twenty-six week periods ended July 3, 1999 may not be indicative of the results of operations that can be expected for the full year.

NOTE 2 - EARNINGS PER SHARE

The Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128") and related interpretations. FAS 128 requires 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 other commitments to issue common stock were exercised using the treasury stock method or the if-converted method, where applicable.

The composition of Basic EPS and Diluted EPS is as follows:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JULY 3, 1999	JULY 4, 1998	JULY 3, 1999	JULY 4, 1998
Net income before extraordinary item	\$ 50,339	\$ 55,625	\$ 88,815	\$ 112,161
Weighted average shares	143,120,896	138,898,854	142,938,040	138,154,012
Basic earnings per share before extraordinary item	\$ 0.35	\$ 0.40	\$ 0.62	\$ 0.81
Weighted average shares including the dilutive effect of stock options (4,945,912 and 11,021,954 for the 13 weeks ended July 3, 1999 and July 4, 1998, respectively, and 5,188,158 and 10,902,854 for the 26 weeks ended July 3, 1999 and July 4, 1998, respectively)	148,066,808	149,920,808	148,126,198	149,056,866
Diluted earnings per share before extraordinary item	\$ 0.34	\$ 0.37	\$ 0.60	\$ 0.75

At July 3, 1999, there was \$428,639 in Zero Coupon Convertible Senior Debentures that were convertible into 6,427,721 shares of Class A Common Stock. For the thirteen and twenty-six weeks ended July 3, 1999 and July 4, 1998, respectively, these potential shares were excluded from the computation of Diluted EPS because their effect would be antidilutive. Additionally, there were approximately 3,226,433 and 83,892 options for the thirteen and twenty-six weeks ended

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

July 3, 1999 and July 4, 1998, 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.

NOTE 3 - COMPREHENSIVE INCOME

The Company has adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130"). 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.

The components of accumulated other comprehensive income (loss) are as follows:

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAIN ON AVAILABLE FOR SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
	-----	-----	-----
Balance at January 3, 1998	\$ (14,236)	\$ -	\$ (14,236)
Thirteen week change	(2,407)	-	(2,407)
	-----	-----	-----
Balance at April 4, 1998	(16,643)	-	(16,643)
Thirteen week change	121	-	121
	-----	-----	-----
Balance at July 4, 1998	(16,522)	-	(16,522)
Thirteen week change	5,359	-	5,359
	-----	-----	-----
Balance at October 3, 1998	(11,163)	-	(11,163)
Thirteen week change	(417)	6,666	6,249
	=====	=====	=====
Balance at January 2, 1999	\$ (11,580)	\$ 6,666	\$ (4,914)
	=====	=====	=====

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAIN ON AVAILABLE FOR SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
	-----	-----	-----
Balance at January 2, 1999	\$ (11,580)	\$ 6,666	\$ (4,914)
Thirteen week change	(16,282)	61,664	45,382
	-----	-----	-----
Balance at April 3, 1999	(27,862)	68,330	40,468
Thirteen week change	(9,099)	102,718	93,619
	-----	-----	-----
Balance at July 3, 1999	\$ (36,961)	\$ 171,048	\$ 134,087
	=====	=====	=====

Total comprehensive income for the thirteen weeks ended July 3, 1999 and July 4, 1998 was \$143,958 and \$55,746, respectively. Total comprehensive income for the twenty-six weeks ended July 3, 1999 and July 4, 1998 was \$231,594 and \$109,875, respectively.

NOTE 4 - EXTRAORDINARY ITEM

In March 1999, the Company repurchased Zero Coupon Convertible Senior Debentures with a carrying value of \$56,504 as of the repurchase date for approximately \$50,321 in cash. The debenture repurchase resulted in an extraordinary gain of \$3,778 (net of \$2,405 in income taxes).

NOTE 5 - ACQUISITION

In January 1999, the Company purchased 44,114,340 shares of Electronic Resources Ltd. ("ERL") common stock from certain shareholders, which increased the Company's ownership to 39.6% from the 21% ownership held in 1998. In accordance with Singapore law, the Company was required to extend a tender offer for the remaining

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

shares and warrants of ERL as a result of its increased ownership. The Company offered to purchase the remaining outstanding shares and warrants for approximately \$1.20 and \$0.65 per share and warrant, respectively, during the tender offer period from January 4, 1999 to February 19, 1999. In addition, during January and February 1999, the Company made open market purchases of ERL shares and warrants. As a result of the open market purchases and the tender offer, the Company's ownership in ERL increased to approximately 95%. The aggregate purchase price paid in 1999 for these ERL shares and warrants was approximately \$232,010. Prior to 1999, the Company accounted for its investment in ERL under the equity method. Due to the purchase of ERL common stock and warrants in 1999, the Company has accounted for the acquisition of ERL under the purchase method; accordingly, the results of ERL's operations have been combined with those of the Company for the thirteen and twenty-six weeks ended July 3, 1999. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price, including the \$71,212 paid in December 1997, over the net assets acquired is approximately \$208,120 and is being amortized on a straight-line basis over 30 years. The final allocation of the purchase price may vary as additional information is obtained; accordingly, the final allocations may differ from those used in the unaudited consolidated financial statements included herein.

In July 1999, the Company purchased an additional 7,956,231 shares of the common stock of Ingram Micro Asia Ltd. (formerly known as ERL) for approximately \$9,119 in cash, increasing the Company's ownership position to approximately 98.3%. In addition, the Company commenced an unconditional voluntary take-over offer for the remaining Ingram Micro Asia Ltd. shares and warrants not already owned by the Company.

NOTE 6 - SEGMENT INFORMATION

Effective in 1998, the Company adopted the disclosure requirements of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131"). The Company's reportable operating segments are based on geographic location, and the measure of segment profit is income from operations.

The Company operates predominantly in a single industry segment as a wholesale distributor of computer-based technology products and services. Geographic areas in which the Company operates include the United States, Europe (Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom) and Other (Australia, Brazil, Canada, Chile, China, India, Indonesia, Malaysia, Mexico, New Zealand, Peru, Singapore, and Thailand). Inter-geographic sales primarily represent intercompany sales which are accounted for based on established sales prices between the related companies and are eliminated in consolidation.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

Financial information by geographic segments is as follows:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JULY 3, 1999	JULY 4, 1998	JULY 3, 1999	JULY 4, 1998
NET SALES:				
United States				
Sales to unaffiliated customers	\$ 4,294,687	\$ 3,478,694	\$ 8,432,101	\$ 6,934,781
Transfers between geographic areas	37,043	36,708	74,460	77,508
Europe	1,600,263	1,011,439	3,347,552	2,186,428
Other	909,863	465,988	1,750,435	985,000
Eliminations	(37,043)	(36,708)	(74,460)	(77,508)
	-----	-----	-----	-----
Total	\$ 6,804,813	\$ 4,956,121	\$ 13,530,088	\$ 10,106,209
	=====	=====	=====	=====
INCOME FROM OPERATIONS:				
United States	\$ 90,280	\$ 92,481	\$ 155,897	\$ 184,095
Europe	7,932	10,928	18,268	30,426
Other	9,391	7,189	18,949	12,201
	-----	-----	-----	-----
Total	\$ 107,603	\$ 110,598	\$ 193,114	\$ 226,722
	=====	=====	=====	=====
IDENTIFIABLE ASSETS:				
United States	\$ 4,295,742	\$ 3,072,884	\$ 4,295,742	\$ 3,072,884
Europe	1,676,245	1,055,961	1,676,245	1,055,961
Other	1,020,225	543,605	1,020,225	543,605
	-----	-----	-----	-----
Total	\$ 6,992,212	\$ 4,672,450	\$ 6,992,212	\$ 4,672,450
	=====	=====	=====	=====
CAPITAL EXPENDITURES:				
United States	\$ 21,713	\$ 29,104	\$ 42,235	\$ 52,618
Europe	10,996	2,903	12,156	5,201
Other	2,112	908	3,428	2,148
	-----	-----	-----	-----
Total	\$ 34,821	\$ 32,915	\$ 57,819	\$ 59,967
	=====	=====	=====	=====
DEPRECIATION AND AMORTIZATION:				
United States	\$ 13,477	\$ 10,293	\$ 26,469	\$ 20,726
Europe	5,714	2,601	10,318	5,520
Other	4,420	1,987	8,727	4,037
	-----	-----	-----	-----
Total	\$ 23,611	\$ 14,881	\$ 45,514	\$ 30,283
	=====	=====	=====	=====

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

NOTE 7 - REORGANIZATION COSTS

In February 1999, the Company initiated a plan primarily in the United States to streamline operations and reorganize resources to increase flexibility and service and maximize cost savings and operational efficiencies. This reorganization plan includes instituting several organizational and structural changes, including the closing of the Company's California-based consolidation center and certain other redundant locations, realignment of the Company's sales force and the creation of a product management organization that integrates purchasing, vendor sales, and product marketing functions, as well as a realignment of administrative functions and processes throughout the U.S. organization.

In connection with the reorganization plan, the Company recorded a charge of \$6,234 in the thirteen weeks ended April 3, 1999 related primarily to reorganization efforts in the United States. This reorganization charge included \$4,269 in employee termination benefits for approximately 358 employees, \$1,519 for closing and consolidation of redundant facilities relating primarily to excess lease costs net of estimated sublease income, and \$446 for other costs associated with the reorganization. Additionally, the Company recorded a reorganization charge of \$2,050 during the thirteen weeks ended July 3, 1999, in connection with the reorganization of certain of the Company's European operations. This reorganization charge included \$1,735 in employee termination benefits for approximately 98 employees and \$315 for other costs associated with the reorganization. These initiatives are expected to be largely completed by the end of 1999.

The reorganization charges and related activity for the twenty-six weeks ended July 3, 1999 are summarized as follows:

	1999 REORGANIZATION CHARGE	AMOUNTS PAID AND CHARGED AGAINST THE LIABILITY	ADJUSTMENTS	REMAINING LIABILITY AT JULY 3, 1999
	-----	-----	-----	-----
Employee termination benefits	\$ 6,004	\$ 5,245	\$ -	\$ 759
Facility costs	1,519	86	-	1,433
Other costs	761	129	-	632
	-----	-----	-----	-----
Total	\$ 8,284	\$ 5,460	\$ -	\$ 2,824
	=====	=====	=====	=====

NOTE 8 - NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), which will become effective for the Company in fiscal 2001. FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company does not expect the adoption of FAS 133 to have a material impact on its reported consolidated financial condition or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth the Company's net sales by geographic region (excluding intercompany sales), and the percentage of total net sales represented thereby, for each of the periods indicated.

	THIRTEEN WEEKS ENDED				TWENTY-SIX WEEKS ENDED			
	JULY 3, 1999		JULY 4, 1998		JULY 3, 1999		JULY 4, 1998	
	(DOLLARS IN MILLIONS)							
Net sales by geographic region:								
United States	\$ 4,295	63.1%	\$ 3,479	70.2%	\$ 8,432	62.3%	\$ 6,935	68.6%
Europe	1,600	23.5%	1,011	20.4%	3,348	24.7%	2,186	21.6%
Other international	910	13.4%	466	9.4%	1,750	13.0%	985	9.8%
	-----	-----	-----	-----	-----	-----	-----	-----
Total	\$ 6,805	100.0%	\$ 4,956	100.0%	\$13,530	100.0%	\$10,106	100.0%
	=====	=====	=====	=====	=====	=====	=====	=====

The following table sets forth certain items from the Company's Consolidated Statement of Income as a percentage of net sales, for each of the periods indicated.

	PERCENTAGE OF NET SALES			
	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JULY 3, 1999	JULY 4, 1998	JULY 3, 1999	JULY 4, 1998
	-----	-----	-----	-----
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	94.6%	93.6%	94.6%	93.6%
	-----	-----	-----	-----
Gross profit	5.4%	6.4%	5.4%	6.4%
Expenses:				
SG&A expenses	3.8%	4.1%	3.9%	4.1%
Reorganization costs	0.0%	--	0.1%	--
	-----	-----	-----	-----
Income from operations	1.6%	2.3%	1.4%	2.3%
Other expense, net	0.4%	0.4%	0.4%	0.4%
	-----	-----	-----	-----
Income before income taxes	1.2%	1.9%	1.0%	1.9%
Provision for income taxes	0.5%	0.8%	0.4%	0.8%
	-----	-----	-----	-----
Income before extraordinary item	0.7%	1.1%	0.6%	1.1%
Extraordinary gain on repurchase of debentures, net of income tax	--	--	0.0%	--
	-----	-----	-----	-----
Net income	0.7%	1.1%	0.6%	1.1%
	=====	=====	=====	=====

THIRTEEN WEEKS ENDED JULY 3, 1999 COMPARED TO THIRTEEN WEEKS ENDED JULY 4, 1998

Consolidated net sales increased 37.3% to \$6.80 billion in the second quarter of 1999 from \$4.96 billion in the second quarter of 1998. The increase in worldwide net sales was primarily attributable to the addition of new customers, increased sales to the existing customer base, expansion of the Company's product offerings, growth in the computer-based technology products and services industry in general, the July 1998 acquisition of Munich, Germany-based Macrotron AG ("Macrotron"), and the consolidation of ERL resulting from the Company's increased ownership position in ERL (the "ERL Acquisition" - See Note 5 of Notes to Consolidated Financial Statements).

Net sales from U.S. operations increased 23.5% to \$4.29 billion in the second quarter of 1999 from \$3.48 billion in the second quarter of 1998 primarily due to growth of the Company's ongoing business. Net sales from European operations increased 58.2% to \$1.60 billion in the second quarter of 1999 from \$1.01 billion in the second quarter of 1998 primarily due to the July 1998 acquisition of Macrotron and the overall growth in the Company's

existing European operations. Other net sales increased 95.3% to \$909.9 million in the second quarter of 1999 from \$466.0 million in the second quarter of 1998 primarily due to the ERL Acquisition in January 1999 as well as growth in the Company's Canadian operations.

Gross profit, as a percentage of net sales, decreased to 5.4% in the second quarter of 1999 from 6.4% in the second quarter of 1998. The decrease was largely attributable to significant competitive pricing pressures experienced primarily in the U.S. and larger countries in Europe combined with changes in supplier terms and conditions. The Company expects this to continue for the foreseeable future.

Total SG&A expenses, excluding reorganization costs, increased 26.0% to \$258.2 million in the second quarter of 1999 from \$204.9 million in the second quarter of 1998, but decreased as a percentage of net sales to 3.8% in the second quarter of 1999 from 4.1% in the second quarter of 1998. The increase in SG&A expenses was attributable to the acquisitions of ERL in January 1999 and Macrotron in July 1998 as well as the increased expenses required to support the expansion of the Company's business. Expenses related to expansion consists of incremental personnel and support costs, lease expense related to new operating facilities, and the expenses associated with the development and maintenance of information systems. The overall decrease in SG&A expenses as a percentage of net sales is attributable to economies of scale from greater sales volume, the reorganization efforts during 1999 and continued cost-control measures.

In the second quarter of 1999, the Company recorded a reorganization charge of approximately \$2.0 million in connection with the reorganization of certain of the Company's European operations. This reorganization charge included approximately \$1.7 million in employee termination benefits for approximately 98 employees and \$0.3 million for other costs associated with the reorganization. Based upon the Company's reorganization efforts and continued cost control measures, the Company expects its SG&A expenses to remain below 4.0% of consolidated net sales for the foreseeable future. However, any significant decline in future sales growth rates or significant changes in the business or industry in which the Company operates could impact this trend.

Income from operations, excluding reorganization costs, decreased as a percentage of net sales to 1.6% in the second quarter of 1999 from 2.3% in the second quarter of 1998. The decrease in income from operations, excluding reorganization costs, as a percentage of net sales is primarily due to the significant decrease in gross profit as a percentage of net sales as described above. U.S. income from operations, excluding reorganization costs, as a percentage of net sales decreased to 2.1% in the second quarter of 1999 from 2.7% in the second quarter of 1998. European income from operations, excluding reorganization costs, as a percentage of net sales decreased to 0.6% in the second quarter of 1999 from 1.1% in the second quarter of 1998. For geographic regions outside the United States and Europe, income from operations, excluding reorganization costs, as a percentage of net sales decreased to 1.0% in the second quarter of 1999 from 1.5% in the second quarter of 1998. Income from operations, including reorganization costs, as a percentage of net sales decreased to 1.6% in the second quarter of 1999 from 2.3% in the second quarter of 1998.

Other expense, net, which consists primarily of interest expense, foreign currency exchange losses, and miscellaneous non-operating expenses, increased 55.6% to \$28.0 million in the second quarter of 1999 from \$18.0 million in the second quarter of 1998. Other expense, net, remained constant as a percentage of net sales at 0.4% for the second quarters of 1999 and 1998. Interest expense grew as a result of increased borrowings to finance the ERL and Macrotron acquisitions; the investment in SOFTBANK Corp ("Softbank"), Japan's largest distributor of software, peripherals and networking products; expansion of the Company's business; and ongoing sales growth. In 1999, the Company expects its interest expense to increase over comparable periods in 1998 primarily due to the factors described above. Foreign exchange losses decreased by \$0.3 million in the second quarter of 1999 compared to the second quarter of 1998 primarily due to the strengthening of currencies in Latin America as compared to the U.S. dollar.

The provision for income taxes decreased 20.9% to \$29.3 million in the second quarter of 1999 from \$37.0 million in the second quarter of 1998, reflecting the 14.0% decrease in the Company's income before income taxes. The Company's effective tax rate was 36.8% in the second quarter of 1999 compared to 39.9% in the second quarter of 1998. The decrease in the effective tax rate was primarily due to tax planning in certain countries as well as the

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

acquisition of ERL, which has a lower effective tax rate compared to the Company's overall effective tax rate.

TWENTY-SIX WEEKS ENDED JULY 3, 1999 COMPARED TO TWENTY-SIX WEEKS ENDED JULY 4, 1998

Consolidated net sales increased 33.9% to \$13.53 billion in the first half of 1999 from \$10.11 billion in the first half of 1998. The increase in worldwide net sales was primarily attributable to the same factors summarized in the discussion of net sales for the thirteen weeks ended July 3, 1999 and July 4, 1998.

Net sales from U.S. operations increased 21.6% to \$8.43 billion in the first half of 1999 from \$6.93 billion in the first half of 1998 primarily due to growth of the Company's ongoing business. Net sales from European operations increased 53.1% to \$3.35 billion in the first half of 1999 from \$2.19 billion in the first half of 1998 primarily due to the July 1998 acquisition of Macrotron and the overall growth in the Company's existing European operations. Other net sales increased 77.7% to \$1.75 billion in the first half of 1999 from \$985.0 million in the first half of 1998 primarily due to the ERL Acquisition in January 1999 as well as growth in the Company's Canadian operations.

Gross profit, as a percentage of net sales, decreased to 5.4% in the first half of 1999 from 6.4% in the first half of 1998. The decrease was largely attributable to the same factors summarized in the discussion of gross profit for the thirteen weeks ended July 3, 1999 and July 4, 1998.

Total SG&A expenses, excluding reorganization costs, increased 25.6% to \$525.7 million in the first half of 1999 from \$418.7 million in the first half of 1998, but decreased as a percentage of net sales to 3.9% in the first half of 1999 from 4.1% in the first half of 1998. The change in SG&A expenses in dollar terms and as a percentage of net sales was largely attributable to the same factors summarized in the discussion of SG&A expenses for the thirteen weeks ended July 3, 1999 and July 4, 1998.

In February 1999, the Company initiated a plan, primarily in the United States, but also in Europe, to streamline operations and reorganize resources to increase flexibility and service and maximize cost savings and operational efficiencies. This reorganization plan included instituting several organizational and structural changes, including the closing of the Company's California-based consolidation center and certain other redundant locations, realignment of the Company's sales force and the creation of a product management organization that integrates purchasing, vendor sales, and product marketing functions, as well as a realignment of administrative functions and processes throughout the United States organization.

In connection with the reorganization plan, the Company recorded a charge of approximately \$8.3 million in the twenty-six weeks ended July 3, 1999. This reorganization charge included approximately \$6.0 million in employee termination benefits for approximately 456 employees, \$1.5 million for closing and consolidation of redundant facilities primarily relating to excess lease costs net of estimated sublease income, and \$0.8 million for other costs associated with the reorganization (See Note 7 to Notes to Consolidated Financial Statements). These charges related primarily to the reorganization efforts in the United States operations as well as certain countries within the European operations. Based upon these changes and continued cost control measures, the Company expects its SG&A expenses to remain below 4.0% of consolidated net sales for the foreseeable future. However, any significant decline in future sales growth rates or significant changes in the business or industry in which the Company operates could impact this trend.

Income from operations, excluding reorganization costs, decreased as a percentage of net sales to 1.5% in the first half of 1999 from 2.3% in the first half of 1998. The decrease in income from operations, excluding reorganization costs, as a percentage of net sales is primarily due to the significant decrease in gross profit as a percentage of net sales as described above. U.S. income from operations, excluding reorganization costs, as a percentage of net sales decreased to 1.9% in the first half of 1999 from 2.7% in the first half of 1998. European income from operations, excluding reorganization costs, as a percentage of net sales decreased to 0.6% in the first half of 1999 from 1.4% in the first half of 1998. For geographic regions outside the United States and Europe, income from operations, excluding reorganization costs, as a percentage of net sales decreased to 1.1% in the first half of 1999 from 1.2% in the first half of 1998. Income from operations, including reorganization costs, as a percentage of net sales decreased to 1.4% in the first half of 1999 from 2.3% in the first half of 1998.

Other expense, net, which consists primarily of interest expense, foreign currency exchange losses, and miscellaneous non-operating expenses, increased 30.6% to \$52.3 million in the first half of 1999 from \$40.1 million in the first half of 1998. Other expense, net, remained constant as a percentage of net sales at 0.4% for the first half of 1999 and 1998. Interest expense grew primarily due to the same factors summarized in the discussion of other expense, net, for the thirteen weeks ended July 3, 1999 and July 4, 1998. Foreign exchange losses decreased by \$2.2 million in the first half of 1999 compared to the first half of 1998 primarily due to the strengthening of currencies in Latin America as compared to the U.S. dollar.

The provision for income taxes decreased 30.2% to \$52.0 million in the first half of 1999 from \$74.5 million in the first half of 1998, reflecting the 24.6% decrease in the Company's income before income taxes. The Company's effective tax rate was 36.9% in the first half of 1999 compared to 39.9% in the first half of 1998. The decrease in the effective tax rate was primarily due to tax planning in certain countries as well as the acquisition of ERL, which has a lower effective tax rate compared to the Company's overall effective tax rate.

In March 1999, the Company repurchased Zero Coupon Convertible Senior Debentures with a carrying value of \$56.5 million as of the repurchase date for approximately \$50.3 million in cash. The debenture repurchase resulted in an extraordinary gain of \$3.8 million (net of \$2.4 million in income taxes).

QUARTERLY DATA; SEASONALITY

The Company's quarterly sales and operating results have varied in the past and will likely continue to do so in the future as a result of seasonal variations in the demand for the products and services offered by the Company, the introduction of new hardware and software technologies and products offering improved features and functionality, the introduction of new products and services by the Company and its competitors, the loss or consolidation of a significant supplier or customer, changes in the level of operating expenses, inventory adjustments, product supply constraints, competitive conditions including pricing, interest rate fluctuations, the impact of acquisitions, currency fluctuations, and general economic conditions. The Company's narrow operating margins may magnify such fluctuations, particularly on a quarterly basis.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The Company has financed its growth and cash needs largely through income from operations, borrowings, trade and supplier credit, the public sale of 23,200,000 shares of its Class A Common Stock at \$18.00 per share in the initial public offering completed in November 1996, and the issuance of the Zero Coupon Convertible Senior Debentures in June 1998.

Net cash provided by operating activities was \$755.1 million in the first six months of 1999 as compared to \$154.1 million in the first six months of 1998. The increase in cash provided by operating activities was largely attributable to the reduction of trade receivables, excluding acquisitions, for the first six months of 1999 compared to the first six months of 1998, as well as the increase in trade creditor financing of product through the increase in accounts payable, excluding acquisitions, in the first six months of 1999 compared to the first six months of 1998.

Net cash used by investing activities was \$280.3 million in the first six months of 1999 compared to \$72.5 million in the first six months of 1998. The increase was primarily due to the Company's acquisition of ERL and the expansion of warehouse and other facilities. In the first six months of 1999, the Company used approximately \$227.0 million in cash, net of cash acquired, primarily for the purchase of common stock and warrants of ERL (see Note 5 of the Notes to Consolidated Financial Statements).

Net cash used by financing activities was \$423.3 million in the first six months of 1999 compared to \$60.2 million in the first six months of 1998. The increase in cash used by financing activities was due to repayments of

debt under the revolving credit facilities through the management of trade debtors and creditors, repayments of other debt and repurchases of convertible debentures.

Acquisitions

In December 1997, the Company completed its purchase of approximately 21% of the outstanding common stock and approximately 19% of an outstanding class of warrants of ERL, a publicly traded electronic components distributor based in Singapore, for approximately \$71 million. In January 1999, the Company purchased additional shares from specific shareholders, which brought the Company's total ownership to approximately 39.6%. In January and February 1999, the Company made open market purchases of ERL shares and warrants, and on February 19, 1999 completed a tender offer for the remaining outstanding shares and warrants of ERL. These additional purchases resulted in a 95% ownership of the outstanding common stock and a 95% ownership of the outstanding warrants of ERL. The total cash paid for these purchases during 1999 was approximately \$232 million.

In July 1999, the Company purchased an additional 7,956,231 shares of the common stock of Ingram Micro Asia Ltd. (formerly known as ERL) for approximately \$9 million in cash, increasing the Company's ownership position to approximately 98.3%. On July 14, 1999, the Company commenced an unconditional voluntary take-over offer for the remaining Ingram Micro Asia Ltd. shares and warrants not already owned by the Company.

Capital Resources

The Company has three credit facilities with bank syndicates providing an aggregate availability of \$1.65 billion. Under the credit facilities, the Company is required to comply with certain financial covenants, including minimum tangible net worth, restrictions on funded debt and interest coverage. The credit facilities also restrict the Company's ability to pay dividends. Borrowings are subject to the satisfaction of customary conditions, including the absence of any material adverse change in the Company's business or financial condition. At July 3, 1999, the Company had \$604.9 million in outstanding borrowings under these credit facilities.

The Company has an arrangement pursuant to which certain U.S. trade accounts receivable of the Company are transferred to a trust, which in turn has sold certificates representing undivided interests in the total pool of trade receivables without recourse. The trust has issued fixed-rate medium-term certificates (which results in a reduction of trade accounts receivable and debt on the Company's Consolidated Balance Sheet) and a variable rate certificate to support a commercial paper program. At July 3, 1999 and January 2, 1999, the amount of medium-term certificates outstanding totaled \$75 million and \$100 million, respectively, and the amount of commercial paper outstanding totaled \$130 million and \$150 million, respectively. In addition, the Company has certain other facilities relating to accounts receivable in Europe beginning in 1999. Under these programs, the Company has sold approximately \$66 million of receivables resulting in a reduction of trade accounts receivable and debt on the Company's Consolidated Balance Sheet at July 3, 1999. The Company believes that there are sufficient trade accounts receivable to support the outstanding medium-term certificates as well as the commercial paper program and European facilities.

On June 9, 1998, the Company sold \$1.33 billion aggregate principal amount at maturity of its Zero Coupon Convertible Senior Debentures due 2018 in a private placement. The Company has subsequently registered the resale of these debentures with the SEC. Gross proceeds from the offering were \$460.4 million. The debentures were sold at an issue price of \$346.18 per \$1,000 principal amount at maturity (representing a yield to maturity of 5.375% per annum), and are convertible into shares of the Company's Class A Common Stock at a rate of 5.495 shares per \$1,000 principal amount at maturity, subject to adjustment under certain circumstances. In March 1999, the Company repurchased Zero Coupon Convertible Senior Debentures with a carrying value of \$56.5 million as of the repurchase date for approximately \$50.3 million in cash. The debenture repurchase resulted in an extraordinary gain of \$3.8 million (net of \$2.4 million in income taxes).

The debentures are currently convertible into approximately 6.4 million shares of the Company's Class A Common Stock. The debentures are redeemable at the option of the Company on or after June 9, 2003 at the issue price plus accrued original issue discount to the date of redemption. Each debenture is subject to repurchase at the option of the holder, as of June 9, 2001, June 9, 2003, June 9, 2008, and June 9, 2013, or if there is a Fundamental Change (as defined), at the issue price plus accrued original issue discount to the date of the redemption. In the event of a repurchase at the option of the holder (other than upon a Fundamental Change), the Company may, at its

Management's Discussion And Analysis Continued

option, satisfy the redemption in cash or Class A Common Stock, or any combination thereof. In the case of any such repurchase as of June 9, 2001, the Company may elect, in lieu of the payment of cash or Class A Common Stock, to satisfy the redemption in new Zero Coupon Convertible Senior Debentures due 2018.

EURO CONVERSION

On January 1, 1999, a single currency called the euro was introduced in Europe. Eleven of the 15 member countries of the European Union adopted the euro as their common legal currency on that date. Fixed conversion rates between these participating countries' existing currencies (the "legacy currencies") and the euro were established as of that date. The legacy currencies are scheduled to remain legal tender as denominations of the euro until at least January 1, 2002 (but not later than July 1, 2002). During this transition period, parties may settle transactions using either the euro or a participating country's legacy currency. Beginning in January 2002, new euro-denominated bills and coins will be issued and legacy currencies will be withdrawn from circulation. The Company has implemented plans to address the issues raised by the euro currency conversion. These plans include, among others, the need to adapt computer information systems and business processes and equipment to accommodate euro-denominated transactions; the need to analyze the legal and contractual implications on contracts; and the ability of the Company's customers and vendors to accommodate euro-denominated transactions on a timely basis. Since the implementation of the euro on January 1, 1999, the Company has experienced improved efficiencies in its cash management program in Europe as all intracompany transactions within participating countries are conducted in euros. In addition, the Company has reduced hedging activities in Europe for transactions conducted between euro participating countries. Since the Company's information systems and processes generally accommodate multiple currencies, the Company anticipates that modifications to its information systems, equipment and processes will be made on a timely basis and does not expect any failures which would have a material adverse effect on the Company's financial position or results of operations or that the costs of such modifications will have a material effect on the Company's financial position or results of operations. The Company has not experienced any material adverse effects on its financial position or results of operations in connection with the January 1, 1999 first stage conversion.

YEAR 2000 MATTERS

Introduction. The Company's Year 2000 ("Y2K") readiness issues are broad and complex. As is the case with many computer software systems, some of the Company's systems use two-digit data fields that recognize dates using the assumption that the first two digits are "19" (i.e., the number "99" is recognized as the year "1999"). Therefore, the Company's date-critical functions relating to the year 2000 and beyond, such as sales, distribution, purchasing, inventory control, merchandise planning and replenishment, facilities, and financial systems, may be severely affected unless changes are made to these systems.

State of Readiness. With the assistance of an outside consultant, the Company commenced a review of its internal information technology ("IT") systems to identify applications that are not Y2K ready and to assess the impact of the Y2K problem. The Company has developed an overall plan to modify its internal systems to be Y2K ready. In addition, the Company formed a Y2K Global Project Team to provide global oversight to the Company's Y2K readiness activities in the IT and non-IT areas, the assessment of Y2K risks in connection with third-party relationships and the development of contingency plans.

The Company's Y2K plan is divided into three major sections: IT systems, non-IT systems ("Non-IT Systems"), and Y2K interfaces with material third parties. The broad phases of the plan are generally common to all three sections. The phases consist of: (1) inventorying potential Y2K sensitive items, (2) assigning priorities to identified items, (3) assessing the Y2K readiness of items determined to be material to the Company, (4) repairing or replacing material items that are determined not to be Y2K ready ("remediation"), (5) testing material items and/or certification of Y2K readiness, i.e., validation and written confirmation that the process, activity or component can properly process a date beyond December 31, 1999 as it does earlier dates and (6) designing and implementing contingency and business continuation plans for the Company.

Please refer to "--Contingency Planning and Risks" regarding the Company's progress for its Y2K plan with

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

respect to ERL, which became a subsidiary of the Company in February 1999.

Information Technology Systems. The Company has completed an inventory and technical assessment (with the exception of personal computers, which are assessed and remediated in a single step) of all of its global hardware, operating systems, software (including business applications, but excluding desktop software such as office tools) and electronic interfaces that were in operation by the end of December 1998 ("IT Systems") for Y2K remediation. With the exception of the Company's recently acquired German subsidiary, Macrotron, the Company has completed remediation and unit testing or upgrading/replacement of its IT Systems in the second quarter of 1999. As a result of the Company's continued integration and consolidation of the Macrotron facilities, the Company anticipates that the second-quarter 1999 completion date for remediation and unit testing or upgrading/replacement of Macrotron's IT Systems will be extended by two months. With the exception of Macrotron and ERL, the Company has completed system and century testing and certification of Y2K readiness of all of its IT Systems in the second quarter of 1999. All systems or systems enhancements implemented since December 1998 have been developed as Y2K ready and do not require remediation. However, all are subjected to Y2K unit and century testing.

The Company uses different test methodologies for different phases: (1) unit testing is used to verify that the individually changed components function properly at the unit level, (2) system/integration testing is used to verify that all changed components function as a complete system, (3) regression testing is used to verify that changes made for Y2K readiness do not impact any other functions within the IT system, and (4) century testing, i.e., simulating the transition to January 1, 2000, is used to validate that the entire IT system will function on or after such date.

With respect to desktop software on the Company's personal computers, the Company provided to its associates before the end of 1998 a list of Y2K ready versions of software. Associates were advised that if they have non-Y2K ready versions of software on their personal computers, they must request upgrades to Y2K ready versions of software. The Company has provided the necessary IT support to upgrade associates' personal computers and is periodically reminding associates to assure that the necessary upgrades occur and to make appropriate adjustments to date-sensitive databases or programs.

Non-Information Technology Systems. The Non-IT Systems consist of any device which is able to store and report date-related information, such as access control systems, elevators, escalators, conveyors and sensors; building systems; and other items containing a microprocessor or an internal clock such as hand-held computers used to assist with inventory control, electric power distribution systems and vaults. The Company has completed a global inventory and assessment of its Non-IT Systems. All Non-IT Systems that are deemed business-critical either (a) have written certifications that they are Y2K ready (e.g., confirmations from manufacturers that the product is not impacted by the Y2K date transition or will continue to operate on and after January 1, 2000 just as it did prior to such date) or (b) have been replaced and/or modified to be Y2K ready by the end of the second quarter of 1999.

Y2K Interfaces with Material Third Parties. The Company has completed an inventory of third parties (including, among other things, domestic and international suppliers and vendors, financial service providers and transportation and other logistics providers) whose Y2K noncompliance could have a material adverse effect on the Company's business, financial condition or results of operations. In addition, the Company has sent questionnaires to all such third parties in order to determine their current Y2K status, tracking responses to these questionnaires and using such responses towards contingency plan development. The Company has completed such assessment and inquiry. Follow up inquiries, where appropriate, are planned throughout the remainder of 1999.

Costs to Address Y2K Readiness. The Company has incurred approximately \$6.5 million to date on Y2K readiness efforts (excluding compensation and benefit costs for associates who do not work full time on the Y2K project and costs of systems upgrades that would normally have been made on a similar timetable) with respect to IT Systems and anticipates that its total expenditures will not exceed \$10 million. However, such amount does not reflect costs for upgrades to servers, personal computers, communications equipment and Non-IT Systems on a global basis as a result of potential new acquisitions and/or business relationships throughout the remainder of 1999 as the scope of this cost will not be known until the Company has completed technical assessment of all of these areas. Although there are opportunity costs and some diversion of human resources to the Company's Y2K

readiness efforts, management believes that no significant IT projects have been deferred or accelerated due to this effort.

Contingency Planning and Risks. The Y2K Global Project Team is responsible for the development of a global contingency plan to address the Company's at-risk business functions as a result of Y2K issues. The Company completed its global contingency plan in the second quarter of 1999. In the normal course of business, the Company maintains and deploys contingency plans designed to address various other potential business interruptions. For example, the Company has the capability in the United States to automatically reroute incoming telephone calls, such as from its Santa Ana (West Coast sales) facility to its Buffalo (East Coast sales) facility, and the ability to reroute warehouse shipping from one U.S. location to another location. Although these plans are not Y2K-specific, they may be applicable to address limited Y2K failures or interruption of support provided by some third parties resulting from their failure to be Y2K ready.

The Company's global IT and Non-IT operations are highly centralized in the United States. The Company's strategy with respect to Y2K readiness is to resolve its Y2K issues from a global perspective first through its U.S. operations. For example, the Company's core enterprise system, IMPulse, is based in the U.S. but operates globally. Remediation of this system is effective across the Company's entire operations. However, the Company may continue to experience risks with respect to new acquisitions where new management may not be as familiar with the Company's computer systems (although the Company strives to convert newly acquired operations to IMPulse as soon as possible), or the existing associates may not be familiar with the Company's Y2K plan. For example, the Company completed an unconditional tender offer for ERL's shares and warrants on February 19, 1999. The Company currently believes that it will complete the various stages with respect to IT Systems, Non-IT Systems and Y2K interfaces with material third parties in the ERL organization approximately two months later than the target dates set forth above. A similar extension of approximately two months of the target dates for the remediation and unit testing or upgrading/replacement of IT Systems for the Company's recently acquired Macrotron organization in Germany is anticipated.

The failure to correct a material Y2K problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failure could materially and adversely affect the Company's results of operations, liquidity and financial condition. In addition, the Company's operating results could be materially adversely affected if it were to be held responsible for the failure of any products sold by the Company to be Y2K ready despite the Company's disclaimer of product warranties and the limitation of liability contained in its sales terms and conditions.

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), which will become effective for the Company in fiscal year 2001. FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. The Company does not expect the adoption of FAS 133 to have a material impact on its reported consolidated financial condition or results of operations.

CAUTIONARY STATEMENTS FOR THE PURPOSE OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The matters in this Form 10-Q that are forward-looking statements are based on current management expectations that involve certain risks, including without limitation: the potential decline as well as seasonal variations in demand for the Company's products; the potential termination of a supply agreement with a major supplier; continued pricing and margin pressures; product supply shortages; rapid product improvement and technological changes, and resulting obsolescence risks; unavailability of adequate capital; the impact on management of growth and acquisitions; foreign currency fluctuations; the failure to achieve substantial Year 2000 readiness; and reliability of information systems. For further discussion of these and other significant factors to consider in connection with forward-looking statements concerning the Company, reference is made to Exhibit 99.01 of the Company's Annual Report on Form 10-K for fiscal year ended January 2, 1999; other risks or

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

uncertainties may be detailed from time to time in the Company's future SEC filings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

(a) The Annual Meeting of Shareowners was held on May 6, 1999.

(b) The one matter submitted for a vote at the Annual Meeting was the election of seven directors (constituting the entire Board of Directors). The following table lists the individuals and the number of votes cast for, against or withheld and abstention for each such individual elected to the Board of Directors for a term to expire at the 2000 Annual Meeting of Shareowners. There were no broker non-votes.

Nominee -----		No. of Votes -----
Don H. Davis, Jr.	For	739,217,594
	Withheld/Against	2,139,400
	Abstention	48,840
John R. Ingram	For	741,339,519
	Withheld/Against	17,475
	Abstention	48,840
Martha R. Ingram	For	741,341,462
	Withheld/Against	15,532
	Abstention	48,840
Philip M. Pfeffer	For	741,226,318
	Withheld/Against	130,676
	Abstention	48,840
J. Phillip Samper	For	741,356,494
	Withheld/Against	500
	Abstention	48,840

Nominee (continued)		No. of Votes
-----		-----
Jerre L. Stead	For	741,344,631
	Withheld/Against	12,363
	Abstention	48,840
Joe B. Wyatt	For	741,236,423
	Withheld/Against	120,571
	Abstention	48,840

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

No.	Description
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10.44	Agreement with Douglas A. Antone dated June 23, 1999
10.45	Ingram Micro Supplemental Investment Savings Plan
27	Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the thirteen weeks ended July 3, 1999.

SIGNATURES

Pursuant to the requirements 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/ Michael J. Grainger

 Name: Michael J. Grainger
 Title: Executive Vice President and
 Worldwide Chief Financial
 Officer (Principal Financial
 Officer and Principal
 Accounting Officer)

August 17, 1999

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT is entered into between Douglas R. Antone ("Associate") and Ingram Micro Inc., a Delaware corporation ("Ingram"), in recognition of Associate's service to Ingram and in order to induce Associate to continue to provide limited services to Ingram after his resignation. In consideration of the mutual promises and agreements contained in this document, intending to be legally bound, Associate and Ingram contract and agree as follows:

1. Resignation. Associate has informed Ingram that he intends to resign as an officer and employee of Ingram on July 16, 1999 (the "Separation Date").
2. Salary Continuation. Subject to Paragraph 11 hereof, as compensation for all sums and benefits owed to and/or earned by Associate based on his employment with Ingram and any and all of its Affiliates, and in consideration of Associate's continuing obligations under this Agreement, Ingram will continue to pay Associate his current base salary for a period of 20 weeks after the Separation Date (the "Salary Continuation Period"). Such amount shall be payable through Ingram's normal payroll procedures, and will be subject to applicable withholding requirements.
3. COBRA Coverage. Associate acknowledges that, effective as of the Separation Date, he will cease to be qualified to participate in the employee benefit plans to which he was entitled as an associate or employee of Ingram. Associate will, however, have the rights of a terminated employee to convert and/or continue certain benefit coverages as provided in the respective benefit plans, including COBRA continuation rights for medical and dental coverages. Ingram will provide under separate cover further information to Associate regarding COBRA continuation coverage and other conversion and/or continuation rights. Notwithstanding the foregoing, but subject to Paragraph 11 hereof, during the Salary Continuation Period, Ingram will pay directly or reimburse Associate for the amount by which the premiums for COBRA continuation coverage exceeds the cost for the equivalent coverage which Ingram charges its employees at that time.
4. Key Employee Stock Purchase Plan. Subject to Paragraph 11 hereof and notwithstanding the provisions of Section 6(b)(i) of the Acquisition Agreement dated June 27, 1996 between Ingram and Associate relating to Associate's purchase of 60,000 shares of Ingram Class B Common Stock under the Ingram Key Employee Stock Purchase Plan (the "Acquisition Agreement"), Ingram shall not exercise its right to repurchase the Shares (as such term is defined in the Acquisition Agreement) for so long as Associate performs his obligations under this Agreement and will be permitted to exercise its repurchase rights only with respect to the Restricted Shares (as such term is defined in the Acquisition Agreement), owned by Associate, if any, as of the date of any failure by Associate to perform his obligations. Except as modified hereby, the Acquisition Agreement shall continue in full force and effect in accordance with its terms.

5. Non-disclosure. Associate acknowledges his obligation not to disclose, during or after employment, any trade secrets or proprietary and/or confidential data or records of Ingram or its Affiliates or to utilize any such information for private profit. Each of the parties hereto agrees that such party will not release, publish, announce or otherwise make available to the public in any manner whatsoever any information or announcement regarding this Agreement or the transactions contemplated hereby without the prior written consent of the other party hereto, except as required by law or legal process, including, in the case of Ingram, filings with the Securities and Exchange Commission. Associate agrees not to communicate with, including responding to questions or inquiries presented by, the media, employees or investors of Ingram, its Affiliates or any third party relating to the terms of this Agreement, without first obtaining the prior written consent of Ingram. Notwithstanding the foregoing, Associate may make disclosure to his spouse, attorneys and financial advisors of the existence and terms of this Agreement provided that they agree to be bound by the provisions of this Paragraph 5. Each party agrees not to make statements or take any action to disparage, dissipate or negatively affect the reputation of the other with employees, customers, suppliers, competitors, vendors, stockholders or lenders of Ingram, its Affiliates or any third party.
6. Return of Property. Associate acknowledges his obligation to promptly return to Ingram all property of Ingram and its Affiliates in his possession, including without limitation all keys, credit cards, computers, office equipment, documents, files and instruction manuals, on or before the Separation Date, or earlier if Ingram so requests it.
7. Associate's Obligations. In consideration of the benefits and stock ownership rights to be received by Associate hereunder, Associate and Ingram have further agreed as follows:
 - a. Associate will not directly or indirectly make known to any person, firm, corporation, partnership or other entity any list, listing or other compilation, whether prepared or maintained by Associate, Ingram or any of Ingram's Affiliates, which contains information that is confidential to Ingram or any of its Affiliates about their customers ("Ingram Customers"), including but not limited to names and addresses, or, at any time on or before April 1, 2000, call on or solicit, or attempt to call on or solicit, in either case with the intent to divert business or potential business from Ingram or any of its Affiliates, any of the Ingram Customers with whom he has become acquainted during his employment with Ingram or any of its Affiliates, either for his own benefit or for the benefit of any other person, firm, corporation, partnership or other entity.
 - b. Through April 1, 2000, Associate will not, and will not permit any person, firm, corporation, partnership or other entity of which he is an officer or control person to, (i) knowingly solicit, entice, or persuade any individual who is an associate of Ingram or any of its Affiliates at any time during the period from the date of this Agreement through April 1, 2000 (each such individual, an "Ingram Associate") to leave the

services of Ingram or any of its Associates for any reason, or (ii) solicit for employment, hire, or engage any present or future Ingram Associate as an employee, independent contractor or consultant.

- c. Associate acknowledges that he has unique knowledge of Ingram and its Affiliates and unique knowledge of the computer and software sales and distribution industry. Based on his unique status, he agrees that through April 1, 2000, he will not be employed or hired as an employee or consultant by, or otherwise directly or indirectly provide services for, any of Tech Data, Merisel, Inacom, Pinacor, Ameriquist, Gates Arrow, CHS Electronics, Trilogy, PC Order, Marshall, Hallmark, Hamilton Avnet, Daisytek, Azerti, Azlan, Northamber, Tech Pacific, Synnex, and/or GE Capital Information Technology Solutions-North America, Inc., and any subsidiary or affiliate of these entities in a business or line of business conducted by any such entity which competes with any line of business conducted by Ingram or any of its Affiliates. Notwithstanding the foregoing, should Associate be employed by an entity that is not a subsidiary or affiliate of one of these entities at the time he commences such employment, but subsequently becomes a subsidiary or affiliate of, or becomes merged into, one of these entities on or before April 1, 2000, he shall not be deemed to be in breach of the provisions of this Paragraph 7.c due to such employment provided that at the time he commenced his employment there had been no public announcement of an agreement pursuant to which his employer would become a subsidiary or affiliate of, or merged into, one of these entities or discussions that could lead to such an agreement and Associate had no knowledge of the existence of any such agreement or discussions. Associate further agrees that he will not own any interest in, provide financing to, be connected with, or be a principal, partner or agent of any such competitive distributor or aggregator; provided, however, he may own less than 1% of the outstanding shares of any such entity whose shares are traded in the public market.
- d. Subject to Associate's other commitments, upon request of Ingram or any of its Affiliates from the Separation Date through April 1, 2000, Associate will make himself available to provide reasonable assistance to Ingram or any such Affiliate up to a maximum of 15 hours per month and will use reasonable efforts to arrange his commitments so as to make himself available for such assistance on a basis which is consistent with the requests of Ingram or any of its Affiliates. Such assistance may include telephone conversations, correspondence, attendance and participation in meetings, transfer of knowledge or information regarding operational or other issues, litigation preparation and trials. During such period, Ingram shall reimburse Associate for any out-of-pocket expenses he may incur in connection with such assistance in accordance with Ingram's reimbursement policies. After April 1, 2000, Associate shall continue to provide such assistance as requested by Ingram and, in such event, shall be compensated at a rate per day (minimum charge, one half day) commensurate with the daily rate he was earning based on his current base salary immediately prior to the Separation Date.

The running of the periods prescribed in this Paragraph shall be tolled and suspended by the length of time Associate works in circumstances that a court of competent jurisdiction subsequently finds to violate the terms of this partial restraint.

8. Rights in Event of Breach. In the event of Associate's breach of this Agreement (excluding breach of this Agreement due to death or total disability and provided that in the event of a breach of Paragraph 7.c or 7.d, such breach shall have continued for 15 days after the sooner of Associate's discovery thereof or receipt of notice from Ingram thereof), in addition to all other rights and remedies to which Ingram may be entitled by law or in equity, Ingram shall have no obligation to make any further payments hereunder and may purchase any remaining Restricted Shares under the Acquisition Agreement. If Ingram exercises such right, Associate's obligations under Paragraph 7.c and 7.d will terminate.
9. Confidential Information. This Agreement will in no way void or diminish Associate's obligation to protect and keep confidential any and all proprietary and/or confidential information of Ingram and its Affiliates which Associate may have or acquire in the future.
10. Injunctive Relief. Irreparable harm will be presumed if Associate breaches any covenant in this Agreement and damages may be very difficult to ascertain. In light of these facts, Associate agrees that any court of competent jurisdiction should immediately enjoin any breach of this Agreement upon the request of Ingram, and Associate specifically releases Ingram from the requirement of posting any bond in connection with temporary or interlocutory injunctive relief, to the extent permitted by law. The granting of injunctive relief by any court shall not limit Ingram's right to recover any amounts previously paid to Associate under this Agreement or any damages incurred by it due to a breach of this Agreement by Associate.
11. Release by Associate. As a condition to Ingram's obligations pursuant to Paragraphs 2, 3 and 4, Associate shall deliver an executed release and waiver as of the Separation Date in the form of Exhibit A hereto.
12. Sole Remedy. Associate agrees that, in the event Ingram breaches any provision of this Agreement, his sole remedy for such breach shall be enforcement of the terms of this Agreement or, in the case of a breach of Paragraph 4 hereof, at Associate's election, recovery of any provable damages as a result of such breach.
13. Attorney Fees. In the event that either party hereto files suit to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs incurred therewith.
14. Definition of Affiliate. An "Affiliate" of Ingram for purposes of this Agreement shall include any corporation or business entity in which Ingram owns, directly or indirectly, at least 15% of the outstanding equity interest.

15. Enforceability. If any provision of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect. If any provision is held invalid or unenforceable with respect to a particular circumstance, it shall nevertheless remain in full force and effect in all other circumstances.
16. Notices. Any notices, requests, demands and other communications required or permitted to be given or made hereunder shall be in writing and shall be deemed to have been duly given (a) on the date delivered if personally delivered, (b) on the third day after deposit in the U.S. mail or with a reputable air courier service, properly addressed with postage or charges prepaid, or (c) on the date transmitted by telefax if the sender receives electronic confirmation of receipt of such telefax, to the address or telefax number of Ingram or Associate, as the case may be, set forth on the signature page of this Agreement.
17. Entire Agreement. This instrument contains and accurately recites the complete and entire agreement among the parties, and it expressly terminates, cancels, and supersedes any and all prior agreements or understandings, if any, among the parties, including without limitation the Separation Agreement executed by Ingram effective May 1, 1998 and by Associate effective May 18, 1998, as subsequently amended. This Agreement may not be modified except in writing signed by the parties.
18. Governing Law. This Agreement shall be governed by California law, without regard to the choice or conflict of law provisions thereof.
19. Paragraph Titles. The paragraph titles used in this Agreement are for convenience only and do not define or limit the contents of any paragraph.
20. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the heirs of Associate and the successors and assigns of Ingram.

Executed and delivered to Associate by Ingram on June 17, 1999 and executed by Associate on the date set out below.

Notice Information:

"Ingram"

Ingram Micro Inc.
1600 E. St. Andrew Place
Santa Ana, California 92705
Attention: Cyndy McGuire
Telephone: (714) 566-1000, ext. 22500
Facsimile: (714) 566-7733

INGRAM MICRO INC.

By: /s/ JERRE L. STEAD

Title: Chairman and Chief
Executive Officer

"Associate"

6/23/99

Date

/s/ DOUGLAS A. ANTONE

Douglas A. Antone

Address: _____

Facsimile: _____

INGRAM MICRO
SUPPLEMENTAL INVESTMENT SAVINGS PLAN

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ARTICLE 1
INTRODUCTION

1.01 ESTABLISHMENT AND NAME OF PLAN

Effective November 6, 1996, Ingram Micro Inc. established an unfunded, deferred compensation plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Participating Companies, entitled the "Ingram Micro Inc. Supplemental Executive Deferred compensation Plan". Except as otherwise specifically stated, the plan is hereby, amended, restated and re-named the Ingram Micro supplemental Investment Savings Plan generally effective July 1, 1999.

1.02 INTENT AND STATUS OF PLAN

The Plan is intended to be unfunded plan maintained by the Corporation with the Participating Companies primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees (and intended to be within the exemptions therefore in, without limitation, Sections 201(2), 301(a)(3), 401(a)(1) and 4021(b)(6) of ERISA and section 220.104-23 of the Labor Regulations). The Plan is intended to be "unfunded" for purposes of both ERISA and the Code. The Plan is not intended to be qualified as a qualified plan under Section 401(a) of the Code; rather, the Plan is intended to be a "nonqualified" plan.

1.03 PRIOR PLAN BENEFITS

Notwithstanding anything in the Plan to the contrary, this plan is intended to include the Benefits and liabilities that Ingram Micro Inc. had under the Ingram Industries, Inc. Supplemental Executive Deferred Compensation Plan (the "Prior Plan"). As a result, any of the remaining benefits earned by employees of Ingram Micro Inc. Under the Prior Plan prior to the Effective Date shall become benefits under this plan and shall be provided only by this plan.

ARTICLE 2
DEFINITIONS

Each following word, term and phrase shall have the following respective meanings whenever such word, term or phrase is capitalized and used in any Article of this Plan unless the context clearly indicates otherwise:

- 2.02 "ASSOCIATE" has the same meaning as such term is defined in the Savings Plan.
- 2.03 "BOARD" means the board of Directors of the Corporation.
- 2.04 "COMMITTEE" means the Committee appointed by the Board to administer the Plan pursuant to Article 8 hereof. If no such Committee has been appointed, then the term Committee shall mean the Corporation.
- 2.05 "CODE" means the Internal Revenue Code of 1986, as amended from time to time.
- 2.06 "COMPENSATION" means the same as "Compensation" as defined under the amended, restated and renamed Ingram Micro 401(k) Investment Savings Plan, effective January 1, 1999, (as defined in Section 2.13 of the Savings Plan), but without the Code section 401(a)(17) dollar limit.
- 2.07 "COMPENSATION DEFERRAL AGREEMENT" means the written agreement to defer Compensation contemplated by articles 3 and 4 hereof executed by the Participant and the Participating Company.
- 2.08 "COMPENSATION DEFERRAL DATE" means the Effective Date in the initial plan year, and January 1, in each calendar year thereafter. Notwithstanding the foregoing, the Committee may declare a special Compensation Deferral date each year, so that a participant may elect prior to such special Compensation Deferral Date to make a supplemental deferral as described in Section 4.02(a)(iv) hereof.
- 2.09 "COMPENSATION DEFERRAL PERIOD" means the period beginning on the Effective date and ending on December 31 (the calendar year). Notwithstanding the foregoing, there shall be a special Compensation Deferral Period for purposes of supplemental deferrals, as described in Section 4.02(a)(iv), which shall begin on the special Compensation Deferral Date declared by the Committee and shall end on the following December 31.
- 2.10 "CORPORATION" means Ingram Micro Inc., a Delaware Corporation and any business organization or corporation into which Ingram Micro Inc. may be merged or consolidated or by which it may be succeeded.
- 2.11 "DEFERRED COMPENSATION ACCOUNT" means the separate book reserve account established by the Participating Companies pursuant to Article 4 of this Plan for each Participant to which shall be credited (added) the Participant's share of any

elective Deferral amounts and Matching Employer Amounts; and from which any distributions, any hardship withdrawal distributions, and any Forfeitures shall be subtracted; and which shall be adjusted for allocation of accrued earnings and losses thereon as described in Sections 4.04 or 4.05 hereof and for allocation of any Forfeitures (which arises pursuant to Section 5.04)) pursuant to Section 7.03 hereof. All amounts which are credited to such Deferred Compensation Account are credited solely for computation purposes and are at all times general assets of the Participating Companies and subject to the claims of the general creditors of the Participating companies. A Participant's Deferred Compensation Account shall be utilized solely as a device for the determination and measurement of the amounts (subject to vesting provisions in this Plan) to be paid as deferred compensation benefits to the Participant or his beneficiary pursuant to the Plan. Any Associate or Participant shall not have at any time any interest in or to such Deferred Compensation Account or in any deemed investment thereof. A Participant's Deferred Compensation Account shall not constitute or be treated as a trust or trust fund of any kind. For purposes of administrative convenience and for purposes of certain provisions of this Plan, each Participant's deferred Compensation Account shall be divided into the following subaccounts or parts:

"PART I" attributable to Elective Deferral Amounts pursuant to Section 4.02 hereof; and

"PART II" attributable to Matching Employer Amounts pursuant to Section 4.03 hereof.

Notwithstanding anything in the Plan to the contrary, the Deferred Compensation Account shall include the amounts allocated under the Prior Plan pursuant to Section 1.03 hereof.

- 2.12 "DISABILITY" shall mean the inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to be of continued and indefinite duration, as determined by the Committee on the basis of medical evidence by a licensed physician designated by the Committee.
- 2.13 "DISTRIBUTION DATE" means either the (a) March 31 in the Plan Year following the Plan Year in which the participant terminates employment with the Participating Companies and subsidiaries or (b) such earlier date as the Committee may, in its sole discretion determine, which immediately follows the termination of employment of the Participant, as provided in Section 5.02 of the Plan.
- 2.14 "EFFECTIVE DATE" of the amended, restated and renamed Plan means July 1, 1999, except as otherwise specifically stated.

- 2.15 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 2.16 "FORFEITURE" means the portion of a Participant's Deferred Compensation Account (or parts thereof) which is forfeited before full vesting occurs pursuant to Section 5.04(c) or which is forfeited under section 7.02 hereof.
- 2.17 "PARTICIPANT" means an eligible Associate participating in the Plan pursuant to the provisions of Article 3 hereof.
- 2.18 "PARTICIPATING COMPANY" means any "Employer" as defined in the Savings Plan.
- 2.19 "PLAN" means this Ingram Micro Supplemental Investment Savings Plan as established and set forth herein (together with any and all supplements hereto), and as amended from time to time.
- 2.20 "PLAN YEAR" means the twelve (12) consecutive month period beginning on each January 1 and ending on each following December 31 thereafter (the calendar year).
- 2.21 "SAVINGS PLAN" means the Ingram Micro Thrift Plan (which was established effective October 1, 1996, as amended from time to time, and as in effect on the relevant date to be interpreted hereunder and the amended, restated and re-named the Ingram Micro 401(k) Investment Savings Plan effective January 1, 1999. References in this Plan to the Savings Plan (including references to provisions, articles, and sections of the Savings Plan) include references to the Savings Plan as it may be amended from time to time (and references to provisions, articles, and sections of the Savings Plan include references to corresponding or succeeding provisions in the Savings Plan as it may be amended from time to time).
- 2.22 "SUBSIDIARY": shall mean any corporation that is a member of a controlled group of corporations of which a Participating Company is a member, or any unincorporated trade or business that is under common control of or with any Participating Subsidiary as determined under Code section 414(b). For purposes of this definition, a "controlled group of corporations" shall mean a controlled group of corporations as defined in Code Section 1563(a)(4) and (e)(3)(C).

ARTICLE 3
ELIGIBILITY AND PARTICIPATION

3.01 ELIGIBILITY.

Eligibility to participate in the Plan shall be limited to Associates of the Participating companies who are in a select group of management or highly compensated Associates and who are designated, from time to time, by the committee as eligible to participate in the Plan.

3.02 PARTICIPATION.

An Associate eligible to participate in the Plan as provided in Section 3.01 hereof may elect to become a participant in the Plan by electing to defer Compensation with respect to any Compensation Deferral Period under Article 4 hereof by completing and delivering to the Committee a duly executed Compensation Deferral Agreement as provided in Section 4.02.

3.03 TERMINATION OF PARTICIPATION FOR PURPOSES OF MAKING DEFERRALS.

Participation in the Plan for purposes of being able to make Elective deferral amounts pursuant to section 4.02 hereof under this Plan shall terminate when a Participant's employment with the Participating companies as an Associate terminates (even though he may be employed by a Subsidiary which is not a Participating Company), when such Participant is no longer designated by the committee as an Associate eligible to participate in the Plan, or at such time as the Participant delivers to the Committee a written notice suspending future deferrals.

ARTICLE 4
DEFERRED COMPENSATION ACCOUNTS

4.01 DEFERRED COMPENSATION ACCOUNT.

On behalf of Participating Companies the Committee shall establish and maintain for each Participant or former Participant under the Plan (or the Prior Plan as described in Section 1.03) a book reserve account (the Deferred Compensation Account as defined in Section 2.10 hereof) for the purpose of determining deferred compensation payable to the Participant. Separate subaccounts shall be maintained as provided in Section 2.1 consisting of Part I (attributable to Elective Deferral Amounts pursuant to Section 4.02 hereof) and Part II (attributable to Matching Employer Amounts pursuant to Section 4.03 hereof). Such Deferred compensation Accounts (and subaccounts or parts thereof) shall be governed by the provisions of this Article 4.

4.02 ELECTIVE DEFERRAL AMOUNTS.

Elective Deferral of Compensation by Participants under the Plan is governed by the provisions of this Section. Amounts deferred by a Participant pursuant to this Section shall constitute "Elective Deferral Amounts" for purposes of this plan.

(a) Compensation Elective Deferrals. The following provisions apply to elective deferral of Compensation by Participants under the Plan.

- (i) Compensation Deferral Elections by Participants. With respect to a Compensation deferral Period, a Participant may make an election prior to the Compensation Deferral Date on which such Compensation deferral Period begins to defer a specified percentage of the Compensation which would otherwise be payable by the Participating company to the Participant during the Compensation Deferral Period beginning on such Compensation Deferral Date. Any such election shall be made on a Compensation Deferral Agreement which is duly executed by the Participant and which is delivered by such Participant to the Committee before such Compensation Deferral Date and may not be revoked, changed or modified for and during the applicable Compensation Deferral Period, except as otherwise provided in Section 4.02. In addition, a Participant electing to make Compensation Election Deferrals to this Plan under a Compensation Deferral Agreement is also electing to defer any amounts that would have been deferred under the Savings Plan but were stopped due to the limits imposed under the terms of the plan.

- (ii) Compensation Deferral Elections by Certain New Participants. In the case of an Associate who first becomes eligible to participate in the Plan during Compensation Deferral Period, such an Associate may make an election no later than thirty (30) days following the date such employee first becomes eligible to participate in the Plan to defer a specified percentage of the Compensation which would otherwise be earned by such employee and be payable by the participating Employer after the later of (i) the date the Associate first becomes eligible to participate in the Plan or (ii) the date such Compensation Deferral Agreement is received by the committee and during the remainder of the Compensation Deferral Period. Any such election shall be made on a Compensation Deferral Agreement which is duly executed by the associate and which is delivered by such Associate to the Committee no later than thirty (30) days following the date the Associate first becomes eligible to participate in the Plan, and may not be revoked, changed or modified for and during the applicable Compensation Deferral Period, and the provisions of Subsection 4.02(a)(iii) shall apply to any such election. If such Associate does not make any such election, such Associate may make an election under section 4.02(a) with respect to the next Compensation Deferral Period (or later Compensation Deferral Periods) pursuant to the applicable provisions.
- (iii) Continuation and Irrevocability of Election. Any election by a Participant pursuant to Subsection 4.02(a)(ii) (and any subsequent election) will continue (and may not be modified, altered, or changed in any way) until the earliest of:
- (A) the Compensation Deferral Period commencing after the date the Participant delivers to the Committee a written notice to suspend future deferrals of Compensation under the Plan,
 - (B) the Compensation Deferral Period commencing after the date on which the Participant delivers a new Compensation Deferral Agreement modifying his previous election to the Committee,
 - (C) the Participant is no longer designated as eligible to participate in the Plan,
 - (D) the Participant terminates employment with the Participating companies, or
 - (E) the Plan is amended or terminated such that the Plan no longer permits deferrals of Compensation. A Participant must make a new election each year prior to the next Compensation Deferral Period to continue participating in the Plan. The failure to make an election prior to any Compensation Deferral Period shall be deemed an election not to participate for that period.

(i) Limitations on Percentage Amounts. A Participant who elects to make the maximum elective deferral to the Savings Plan for a calendar year may elect to make a "basic deferral" of up to fifteen percent (15%) of the Participant's annual compensation otherwise payable to him, minus the maximum amount that could have been contributed by the Participant in the Savings Plan. In addition, such a participant may also make a "supplemental deferral election" of the Participant's compensation otherwise payable to him in an amount not to exceed the amount of compensation that such participant contributed to the Savings Plan in the preceding calendar year which is refunded to such participant in the current calendar year as a result of the special nondiscrimination testing applicable to the Savings Plan. This election shall be made at the same time prior to the Compensation deferral Period as the "basic deferral" elections.

(b) Withholding and Crediting of Elective Deferral Amounts. The Participating Company shall withhold the specified percentage amounts deferred by the Participant hereunder from the Compensation which is otherwise payable to the Participant. The committee shall credit amounts equal to such withheld amounts to Part I of the Participant's Deferred Compensation Account.

4.03 MATCHING EMPLOYER AMOUNTS.

With respect to each Compensation Deferral Period, an amount equal to the matching percentage of the Participants elective deferral Amounts (not in excess of 5% of his annual compensation) shall be credited to Part II of the Participant's Deferred Compensation Account. Provided however that the amount matched shall not exceed an amount equal to 5% of the Participant's annual compensation reduced, not below zero (0), by the maximum amount that could have been contributed by the Participant in the Savings Plan. If at any time it is determined by the Committee that the Savings Plan does not pass the applicable nondiscrimination tests, any such excess employer matching contributions shall be deposited into this Plan, rather than the Savings Plan, subject to the limits set forth in this Section 4.03. For purposes of calculating the employer matching contribution, the Participant's annual compensation shall be the definition as set forth in Section 2.05, excluding the annual bonus. The matching percentage shall be determined under the following table based on the Participant's "Years of Matching Service" under the Savings Plan as of the first day of the Plan Year which includes the related Compensation Deferral Period.

Savings Plan Years of Vesting Service	Matching Percentage Applied to Elective Deferral Amounts
-----	-----
Less than 5	50%
At least 5 but less than 10	75%
10 or more	100%

Such matching amount shall be credited to Part II of the Participant's Deferred Compensation Account at such time as the Committee in its sole discretion may determine, but within a reasonable time after the end of the Plan Year to which such amount relates. Any such amounts shall constitute "Matching Employer Amounts" for purposes of this plan.

4.04 DEEMED INVESTMENT AMOUNTS CREDITED TO DEFERRED COMPENSATION ACCOUNTS.

Solely as a device to measure amounts of deferred compensation payable hereunder, the Committee shall establish uniform and nondiscriminatory rules consistent with this Section for the treatment of amounts credited to a Participant's Deferred compensation Account as if such amounts were invested in the investment funds offered under the Savings Plan. No investment of such amounts is required. Such rules shall be similar to those under the Savings Plan, but shall be established in the sole discretion of the committee. Such rules shall permit Participants to designate deemed investment of amounts credited to a Participant's deferred compensation Account among such funds and to make transfers among such funds in a manner similar to those under the Savings Plan.

4.05 ALLOCATION OF ACCRUED EARNINGS AND LOSSES OF DEEMED INVESTMENTS.

Solely as a device to measure amounts of deferred compensation payable to Participants, former Participants, or beneficiaries hereunder, the Committee shall establish uniform and nondiscriminatory rules consistent with this Section to determine accrued income, gains and losses from the investments of Deferred Compensation Accounts deemed to be made pursuant to Section 4.04 hereof to be allocated among credit balances of Deferred compensation Accounts. Any accrued earnings and losses shall be allocated and credited to a Participant's Deferred Compensation Account on a daily basis.

ARTICLE 5
DISTRIBUTION OF DEFERRED COMPENSATION BENEFITS

5.01 IN GENERAL.

The benefits to be paid as deferred compensation are governed by the provisions of this Article 5. A Participant whose employment with the Participating Companies or Subsidiaries terminates for any reason shall be entitled to distribution of benefits pursuant to this Article, subject to the provisions of Article 7.

5.02 TIME OF DISTRIBUTION.

The Corporation on behalf of the Participating Company or Companies shall commence distribution of benefits beginning with the Distribution Date immediately following the Participant's termination of employment with the Participating Companies and Subsidiaries for any reason (including retirement at or after age 65, death or Disability). Provided, however benefits shall be valued and made pursuant to the provisions of Section 5.05 hereof.

5.03 HARDSHIP DISTRIBUTIONS.

Notwithstanding the foregoing, the Committee may, in its sole discretion, commence distribution of benefits from Part I and Part II of a Participant's Deferred Compensation Account as defined in Section 2.10, at any date earlier than that provided in Section 5.02 based on a determination of an unforeseeable financial emergency. A hardship distribution under this Section is only permitted after a Participant has obtained any hardship distribution available under the Savings Plan. A Participant may withdraw in cash the portion of the balance of his deferral account needed to satisfy the unforeseeable financial emergency, to the extent that the unforeseeable financial emergency may not be relieved:

- (a) Through reimbursement or compensation by insurance or otherwise; or
- (b) By liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship.

An "unforeseeable financial emergency" is a severe financial hardship to the Participant resulting from:

- (i) A sudden and unexpected illness or accident of the participant or of a dependent of the Participant;
- (ii) Loss of the Participant's property due to casualty; or

- (iii) Such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant as determined by the Committee.

A withdrawal on account of an unforeseeable financial emergency shall be paid as soon as possible following the date on which the Committee approves the withdrawal.

5.04 VESTING

In connection with distribution of benefits to a former Participant due to termination of employment with the participating Companies or Subsidiaries for any reason pursuant to this Article 5 but subject in all events to the provisions of Article 7 hereof, the Vested Percentage of the Participant's Deferred compensation Account (and Parts therein) shall be determined as of the date the event giving rise to distribution under Section 5.02 hereof as follows:

- (a) Death or Disability. If the distribution is due to the death or Disability of the Participant, then the Vested Percentage of the Participant in parts I and II of his Deferred compensation account shall be 100%.
- (b) Retirement At or After Age 65. If the distribution is due to the termination of the Participant by all of the Participating Companies and Subsidiaries by reason of his retirement at or after attaining age 64, then the Vested percentage of the participant in Parts I and II of his Deferred Compensation Account shall be 100%.
- (c) Other Termination. If the distribution is due to the termination of employment of the Participant by all of the participating Companies and subsidiaries for any reason other than his death, Disability or retirement at or after age 65, then the Vested Percentage of Part I of the Participants Deferred Compensation Account shall be 100% and the Vested Percentage of Part II of the Participant's Deferred compensation Account shall be the same as his vested percentage under the Savings Plan in company contributions. The portion of Part II of a Participants Deferred Compensation Account in which he is not vested as of the date of the termination of employment giving rise to distribution under Section 5.02 hereof shall be treated as a Forfeiture and the nonvested portion of a Participant's balance deemed invested as described in the Savings Plan, if any, shall be forfeited as of the Distribution Date. Such Forfeitures shall be treated as provided in Article 7 hereof.

These vesting provisions are provided merely for purposes of determining amounts of deferred compensation benefits payable hereunder.

5.05 AMOUNT AND METHOD OF DISTRIBUTION OF BENEFITS.

A Participant whose employment with the Participating companies or subsidiaries terminates shall be entitled to the Participant's respective Vested Percentage (determined under Section 5.04 hereof) portions of the balances credited to Part I and Part II, respectively, of his Deferred Compensation Account as of the Distribution Date as determined by the Committee subject to the distribution method determined by the Committee. Distribution of such deferred compensation benefits to a former Participant under this Plan shall be made by the Corporation on behalf of the Participating Companies as directed by the Committee in its sole discretion as follows:

(a) Termination of Employment.

- (i) In the event a Participant's employment terminates for any reason, including (without limitation) death, retirement or disability, then the vested percentage of the Participant's Deferred Compensation Account shall be paid to the Participant (and after the Participant's death to his beneficiary). Payment shall be made in the form of quarterly installments over a 10-year period commencing in the quarter following the quarter in which the Participant terminates employment. A Participant may elect to have distribution made in one of the optional forms of payment as set forth below:

(A) Quarterly installment payments over a

- (1) 15-year period; or
- (2) 5-year period

(B) Single lump sum payment within 60 days following termination of employment or on January 31st of the following calendar year, as elected by the Participant.

- (i) A Participant may make such distribution election by completing a form approved by and filed with the Committee within (30) days of the date the eligible Associate first becomes a Participant. A Participant may change his form of distribution under this section provided that he files the change with the Committee at least one (1) year prior to his Distribution Date. Once distribution begins, a Participant may elect another form of distribution, however, such change shall be subject to a 10% penalty which amount shall be deducted and forfeited by the Participant.

- (ii) Notwithstanding the foregoing, if the Participant's vested Deferred Compensation Account balance is Twenty-Five Thousand Dollars (\$25,000) or less, the balance in his account shall be automatically distributed in the form of a cash lump sum on the Participant's Distribution Date; or such earlier date as the Committee may, at its sole discretion, determine which immediately follows the date of termination.
 - (iii) If the Participant's vested Deferred Compensation Account balance is paid in installments, the Participant's account shall continue to be credited with earnings and losses pursuant to Section 4.05 and the installment amount shall be adjusted as well to reflect gains and losses until all amounts credited to his account under the Plan have been distributed.
 - (iv) Amounts payable pursuant to this Section shall be subject to the limitation on payout under Section 5.05(d) herein.
- (b) Death While Receiving Benefits. If a Participant is in pay status at the time of death, his or her beneficiary shall be paid any remaining amount due the Participant in the same form as elected by the Participant pursuant to Section (a)(i).
 - (c) The Committee may, in its sole discretion, direct that the Participating Company accelerate distributions under any option in effect or pay any amounts in larger or more frequent installments, as determined by it to be in the best interests of the former Participant after consultation with the former Participant.
 - (d) Notwithstanding the foregoing, any hardship distributions which are made as provided in Section 5.03 above from Part I or Part II of a Participant's Deferred Compensation Account, as defined in Section 2.10, shall be made in such amounts and for such periods of time as may be considered necessary by the Committee to meet the conditions of such financial hardship. However, in no event will amounts in excess of the remaining value of Part I or Part II of Participant's Deferred Compensation Account, as defined in Section 2.10 become payable to the Participant.

5.06 COMMITTEE DECISION.

Any decision to be made by the Committee under this Article 5 with respect to the distribution of benefits with respect to a Participant or former Participant under this Plan shall be made by the committee, but such Participant shall exclude himself therefrom for purposes of those decisions if such participant is a member of the Committee.

5.07 PAYMENTS AFTER PARTICIPANT'S DEATH.

If the Participant's employment with the Participating Companies or Subsidiaries is terminated because of his death, then the deferred compensation benefits otherwise payable with respect to the Participant under the Plan shall be paid in a lump sum or installments in a manner similar to that provided in Section 8.2 of the Savings Plan as determined by the Committee in its sole discretion. However, the written election described in Section 8.2 of the Savings Plan for installment payments shall not be available to a Participant under this Plan, but the Committee may direct such installment payments in its sole discretion.

If a former Participant dies after the date payment of benefits has commenced under this Plan, then the beneficiary or beneficiaries designated by that Participant shall be entitled to payment of any remaining installments of deferred compensation benefits over the remaining period; provided, however, that the Committee may direct the acceleration of payment of benefits hereunder in its sole discretion after consultation with the beneficiary or beneficiaries.

5.08 DESIGNATION OF BENEFICIARIES.

The Participant may designate in writing (on a form provided by the Committee and delivered to the Committee before his death) primary and contingent beneficiaries to receive any deferred compensation benefit payments which may be payable hereunder following the Participant's death and the proportions in which such beneficiaries are to receive such payments. The Participant may change such designation from time to time and the last written designation delivered to the Committee prior to the Participant's death will control. If the Participant fails to specifically designate such a beneficiary, or if not designated beneficiary survives the Participant, or if all designated beneficiaries who survive the Participant die before all payments are made, then the remaining payments shall be made to the Participant's surviving spouse if such spouse is then living; if such spouse is not living, then to such person or persons as would be entitled to take the estate of the Participant under the intestacy laws of the state of which such a Participant was a resident at the time of his death; and if there are no such persons, then to the executors or administrators of the estate of the Participant. The Committee may determine the identity of such persons and shall incur no responsibility by reason of the payment of such interest in accordance with any such determination made in good faith.

5.09 LOANS.

Loans to Participants are not permitted from this Plan.

ARTICLE 6
FINANCING AND UNFUNDED STATUS

6.01 COSTS BORNE BY THE PARTICIPATING COMPANIES.

The costs of the Plan shall be borne by the Participating Companies.

6.02 SOURCE OF BENEFIT PAYMENTS AND MEDIUM OF FINANCING THE PLAN.

All payments under this Plan shall be paid in cash by the Corporation from the general funds of the Participating Companies and no special or separate fund shall be established and no other segregation of assets shall be made to assure the payment of benefits hereunder. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between any Participating Company and any Participant, any beneficiary or beneficiaries of a Participant, or any other person. To the extent that any person acquires a right to receive payments from any Participating Company, such right shall be no greater than the right of an unsecured creditor of such Participating Company.

6.03 UNFUNDED STATUS.

This Plan is intended to be unfunded for purposes of both ERISA and the Code.

ARTICLE 7
FORFEITURE

7.01 FORFEITURES.

Forfeitures may arise pursuant to Section 5.04(C) or Section 7.02 hereof.

7.02 CERTAIN FORFEITURE CONDITIONS.

Notwithstanding anything contained to the contrary (including any provisions of Article 5 hereof concerning "vesting"), no payment of any then unpaid installments of deferred compensation in Part II of a Participant's deferred Compensation Account shall be made and all rights under this Plan of the Participant, his designated beneficiary or beneficiaries, executors, administrators, legal representatives, or any other person, to receive payments thereof from Part II of a Participant's Deferred Compensation Account shall be forfeited and the entire balance of Part II of a Participant's Deferred Compensation Account forfeited and treated as a forfeiture if the Participant shall engage in any activity or conduct which in the opinion of the Committee is substantially detrimental to the best interests of the Participating Companies.

7.03 TREATMENT OF FORFEITURES.

Forfeitures which arise pursuant to Section 5.04(c) shall be subtracted (deleted) from the credit balance of Part II of a Participant's Deferred Compensation Account. Such Forfeitures from Part II of a Participant's Deferred Compensation Account deemed to be invested as described in the Savings Plan shall be used either to offset future Matching Employer amounts as described in Section 4.03 or to offset the reasonable expenses of the Plan.

Amounts forfeited due to the operation of Section 7.02 shall be subtracted (deleted) from the credit balance of Part II of a participant's Deferred Compensation Account. Such amounts forfeited pursuant to Section 7.02 shall not be treated as Forfeitures pursuant to Section 5.04(C) but instead shall be treated as deleted from Part II of a Participant's Deferred Compensation Account and no longer an obligation of any Participating Company in any way.

ARTICLE 8
ADMINISTRATION

8.01 GENERAL ADMINISTRATION.

The Board shall appoint a Committee consisting of not less than three (3) persons to administer the Plan. Any member of the Committee may at any time be removed, with or without cause, and his successor appointed by the Board, and any vacancy caused by death, resignation or other reason shall be filled by the Board. The Committee shall be the plan administrator of the Plan and in general shall be responsible for the management and administration of the Plan. The Committee shall have full power to administer the Plan in all of its details (including establishing claims procedures and other rules), subject to applicable requirements of law. No member of the Committee who is an employee of the Participating Companies or Subsidiaries shall receive compensation for his services to the Plan. The Committee shall have such duties and powers as may be necessary to discharge its duties under this Plan.

The fiscal records of the Plan shall be maintained on the basis of the Plan Year.

8.02 COMMITTEE PROCEDURES.

The Committee may act at a meeting or in writing without a meeting. The Committee may adopt such by-laws and regulations as it deems desirable for the conduct of its affairs. All decisions shall be made by majority vote. No member of the Committee who is at any time a participant in this Plan shall vote in a decision of the Committee (whether in a meeting or by written action) made specifically and uniquely with respect to such member of the Committee or amount, payment, timing, form or other aspect of the benefits of such Committee member under this Plan.

8.03 FACILITY OF PAYMENT.

Whenever, in the Committee's opinion, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Committee may direct payments to such person or to his legal representative or to a relative or friend of such person for his benefit, or the Committee may direct the payment for the benefit of such person in such manner as the Committee considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this Section shall be a complete discharge to the Committee and the Participating Companies of any liability for the making of such payment under the provisions of the Plan.

8.04 INDEMNIFICATION OF COMMITTEE MEMBERS.

The Participating Companies shall indemnify and hold harmless each member of the Committee against any and all liability, claims, damages and expense (including all expenses reasonably incurred in his defense in the event that the Participating Companies fail to provide such defense upon his written request) which the Committee member may incur while acting in good faith in the administration of the Plan.

ARTICLE 9
AMENDMENT AND TERMINATION OF PLAN

9.01 AMENDMENT AND TERMINATION.

The Board may amend or terminate the Plan (without the consent of any Participant, former Participant or beneficiary) at any time, provided that such amendment does not decrease or divest any then Participant or former Participant of the amounts in Part I of this deferred Compensation Account as of the date of amendment and does not reduce the Vested Percentage of any then Participant or former Participant in any subaccount (Part) of his Deferred Compensation Account as of the date of amendment.

ARTICLE 10
GENERAL PROVISIONS

10.01 LIMITATION OF RIGHTS.

Neither the establishment of this Plan nor any amendment thereof, nor the payment of any benefits, will be construed as giving to any Associate, Participant, beneficiary, or other person any legal or equitable right against the Participating Companies, except as provided herein. Neither the establishment of this Plan nor any amendment thereof, nor the payment of benefits, nor any action taken with respect to this Plan shall confer upon any person the right to be continued in the employment of the Participating Companies or Subsidiaries.

10.02 NO ASSIGNMENT OR ALIENATION OF BENEFITS.

The rights of a Participant, former Participant, beneficiary or any other person to payment of benefits under this Plan shall not be assigned, transferred, anticipated, conveyed, pledged or encumbered except by will or the laws of descent or distribution; nor shall any such right be in any manner subject to levy, attachment, execution, garnishment or any other seizure under legal, equitable or other process for payment of any debts, judgments, alimony, or separate maintenance, or reached or transferred by operation of law in the event of bankruptcy, insolvency or otherwise. Provided, however, that a Participant shall have the right to designate in writing and in accordance with the provisions of Section 5.08 hereof primary and contingent beneficiaries to receive benefit payments subsequent to the death of the Participant.

10.03 SUCCESSORS.

The provisions of this Plan shall be binding upon and inure to the benefit of the Corporation, its successors, and assigns, and each participant and his heirs, executors, administrators and legal representatives. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the assets of the Corporation, and successors of any such corporation or other business entity.

10.04 GOVERNING LAW.

Except to the extent Federal law is controlling, the provisions of this Plan shall be interpreted and construed according to the laws of the State of California to the extent not preempted by applicable law.

IN WITNESS WHEREOF, the Corporation has caused this Plan to be duly executed for and on behalf of the Corporation by its duly authorized officers on this the _____ day of _____, 1999.

INGRAM MICRO INC.

By: _____

Title: _____

ATTEST:

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