Table of Contents

# FORM 10-Q

## SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

(Mark One)

**[X]** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 29, 2002**

**OR**

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

**For the transition period from __________ to __________**

**Commission file number: 1-12203**

## Ingram Micro Inc.

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **62-1644402** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**1600 E. St. Andrew Place, Santa Ana, California 92705-4931**

(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 [X] No [ ]

The registrant had 150,469,181 shares of Class A Common Stock, par value $.01 per share, outstanding at June 29, 2002.

**TABLE OF CONTENTS**

Table of Contents

**INGRAM MICRO INC.**

**INDEX**

Table of Contents

**Part I. Financial Information**

**Item 1. Financial Statements**

**INGRAM MICRO INC.**

**CONSOLIDATED BALANCE SHEET**

**(Dollars in 000s, except per share data)**

| | June 29, 2002 | December 29, 2001 |
|---|---|---|
| | (Unaudited) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 477,243 | $ 273,059 |
| Investment in available-for-sale securities | — | 24,031 |
| Accounts receivable: | | |
| Trade receivables | 1,447,710 | 1,760,581 |
| Retained interest in securitized receivables | 584,305 | 537,376 |
| Total accounts receivable (less allowances of $79,282 and $79,927) | 2,032,015 | 2,297,957 |
| Inventories | 1,445,754 | 1,623,628 |
| Other current assets | 209,846 | 238,171 |
| Total current assets | 4,164,858 | 4,456,846 |
| Property and equipment, net | 299,984 | 303,833 |
| Goodwill, net | 231,794 | 508,227 |
| Other | 46,763 | 33,101 |
| Total assets | $4,743,399 | $5,302,007 |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $2,287,646 | $2,607,145 |
| Accrued expenses | 387,486 | 279,669 |
| Current maturities of long-term debt | 125,116 | 252,803 |
| Total current liabilities | 2,800,248 | 3,139,617 |
| Convertible debentures | 415 | 405 |
| Senior subordinated notes | 210,743 | 204,899 |
| Deferred income taxes and other liabilities | 84,804 | 89,788 |
| Total liabilities | 3,096,210 | 3,434,709 |
| Commitments and contingencies (Note 9) | — | — |
| Stockholders’ equity: | | |
| Preferred Stock, $0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding | — | — |
| Class A Common Stock, $0.01 par value, 500,000,000 shares authorized; 150,469,181 and 149,024,793 shares issued and outstanding | 1,505 | 1,490 |
| Class B Common Stock, $0.01 par value, 135,000,000 shares authorized; no shares issued and outstanding | — | — |
| Additional paid-in capital | 704,918 | 691,958 |
| Retained earnings | 971,356 | 1,227,945 |
| Accumulated other comprehensive loss | (29,889) | (53,416) |
| Unearned compensation | (701) | (679) |
| Total stockholders’ equity | 1,647,189 | 1,867,298 |
| Total liabilities and stockholders’ equity | $4,743,399 | $5,302,007 |

See accompanying notes to these consolidated financial statements.

Table of Contents

**INGRAM MICRO INC.**

**CONSOLIDATED STATEMENT OF INCOME**

**(Dollars in 000s, except per share data)**
**(Unaudited)**

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|---|---|---|---|
| | June 29, 2002 | June 30, 2001 | June 29, 2002 | June 30, 2001 |
| Net sales | $5,352,774 | $6,017,276 | $10,969,325 | $13,210,765 |
| Cost of sales | 5,059,683 | 5,701,666 | 10,372,567 | 12,510,960 |
| Gross profit | 293,091 | 315,610 | 596,758 | 699,805 |
| Operating expenses: | | | | |
| Selling, general and administrative | 261,780 | 291,736 | 531,199 | 605,461 |
| Reorganization costs | 5,370 | 19,056 | 8,780 | 19,056 |
| | 267,150 | 310,792 | 539,979 | 624,517 |
| Income from operations | 25,941 | 4,818 | 56,779 | 75,288 |
| Other expense (income): | | | | |
| Interest income | (3,402) | (991) | (6,678) | (3,430) |
| Interest expense | 8,205 | 13,483 | 15,249 | 32,274 |
| Losses on sales of receivables | 2,145 | 3,979 | 4,858 | 12,081 |
| Gain on sale of available-for-sale securities | — | — | (6,535) | — |
| Other | 5,001 | 3,047 | 11,358 | 6,089 |
| | 11,949 | 19,518 | 18,252 | 47,014 |
| Income (loss) before income taxes, extraordinary item and cumulative effect of adoption of a new accounting standard | 13,992 | (14,700) | 38,527 | 28,274 |
| Provision for (benefit from) income taxes | 5,177 | (5,292) | 14,255 | 11,253 |
| Income (loss) before extraordinary item and cumulative effect of adoption of a new accounting standard | 8,815 | (9,408) | 24,272 | 17,021 |
| Extraordinary loss on repurchase of debentures, net of income taxes | — | (2,610) | — | (2,610) |
| Cumulative effect of adoption of a new accounting standard, net of income taxes | — | — | (280,861) | — |
| Net income (loss) | $ 8,815 | $ (12,018) | $ (256,589) | $ 14,411 |
| Basic earnings per share: | | | | |
| Income (loss) before extraordinary item and cumulative effect of adoption of a new accounting standard | $ 0.06 | $ (0.06) | $ 0.16 | $ 0.12 |
| Extraordinary loss on repurchase of debentures | — | (0.02) | — | (0.02) |
| Cumulative effect of adoption of a new accounting standard | — | — | (1.87) | — |
| Net income (loss) | $ 0.06 | $ (0.08) | $ (1.71) | $ 0.10 |
| Diluted earnings per share: | | | | |
| Income (loss) before extraordinary item and cumulative effect of adoption of a new accounting standard | $ 0.06 | $ (0.06) | $ 0.16 | $ 0.12 |
| Extraordinary loss on repurchase of debentures | — | (0.02) | — | (0.02) |
| Cumulative effect of adoption of a new accounting standard | — | — | (1.84) | — |
| Net income (loss) | $ 0.06 | $ (0.08) | $ (1.68) | $ 0.10 |

See accompanying notes to these consolidated financial statements.

Table of Contents

**INGRAM MICRO INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**(Dollars in 000s)**
**(Unaudited)**

| | Twenty-six Weeks Ended | |
|---|---|---|
| | June 29, 2002 | June 30, 2001 |
| **Cash flows from operating activities:** | | |
| Net income (loss) | $(256,589) | $ 14,411 |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | |
| Cumulative effect of adoption of a new accounting standard, net of income taxes | 280,861 | — |
| Depreciation | 41,917 | 48,018 |
| Amortization of goodwill | — | 10,610 |
| Noncash charges for write-off of property and equipment | 1,763 | — |
| Noncash charges for interest and compensation | 668 | 6,146 |
| Loss on repurchase of debentures, net of income taxes | — | 2,610 |
| Deferred income taxes | (15,746) | (16,270) |
| Pretax gain from sale of available-for-sale securities | (6,535) | — |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Changes in amounts sold under accounts receivable programs | (48,657) | (710,742) |
| Accounts receivable | 419,803 | 750,980 |
| Inventories | 230,463 | 1,134,078 |
| Other current assets | 49,225 | 20,522 |
| Accounts payable | (399,944) | (1,210,489) |
| Accrued expenses | 39,125 | (40,839) |
| Cash provided by operating activities | 336,354 | 9,035 |
| **Cash flows from investing activities:** | | |
| Purchase of property and equipment | (32,756) | (42,972) |
| Acquisitions, net of cash acquired | (6,095) | — |
| Net proceeds from sale of available-for-sale securities | 31,840 | — |
| Other | 1,478 | (1,659) |
| Cash used by operating activities | (5,533) | (44,631) |
| **Cash flows from financing activities:** | | |
| Proceeds from exercise of stock options | 8,717 | 8,512 |
| Repurchase of convertible debentures | — | (224,977) |
| Net proceeds from (repayments of) other debt | (138,224) | 54,944 |
| Net borrowings (repayments) under revolving credit facilities | (2,000) | 160,722 |
| Cash used by financing activities | (131,507) | (799) |
| Effect of exchange rate changes on cash and cash equivalents | 4,870 | 4,588 |
| Increase (decrease) in cash and cash equivalents | 204,184 | (31,807) |
| Cash and cash equivalents, beginning of period | 273,059 | 150,560 |
| Cash and cash equivalents, end of period | $ 477,243 | $ 118,753 |

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in 000s, except per share data)
(Unaudited)

**Note 1 — Organization and Basis of Presentation**

Ingram Micro Inc. ("Ingram Micro") and its subsidiaries are primarily engaged in distribution of information technology ("IT") products and services worldwide. The Company operates in North America, Europe, Latin America and Asia Pacific.

The consolidated financial statements include the accounts of Ingram Micro and its subsidiaries (collectively referred to herein as the "Company"). These financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments (consisting of only normal, recurring adjustments) necessary to fairly state the financial position of the Company as of June 29, 2002, and its results of operations and cash flows for the thirteen and twenty-six weeks ended June 29, 2002 and June 30, 2001. All significant intercompany accounts and transactions have been eliminated in consolidation. As permitted under the applicable rules and regulations of the SEC, these financial statements do not include all disclosures and footnotes normally included with annual consolidated financial statements and, accordingly, should be read in conjunction with the consolidated financial statements, and the notes thereto, included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 29, 2001. The results of operations for the thirteen and twenty-six weeks ended June 29, 2002 may not be indicative of the results of operations that can be expected for the full year.

Certain prior year balances have been reclassified to conform with the current year presentation. In addition, in fiscal year 2002, the Company combined its U.S. and Canadian operations and now reports these entities as its North American segment consistent with the Company's current management organizational structure. The Company's Canadian operations were previously reported under Other international operations.

**Note 2 — Earnings Per Share**

The Company reports a dual presentation of Basic Earnings per Share ("Basic EPS") and Diluted Earnings per Share ("Diluted EPS"). Basic EPS 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 | |
|---|---|---|---|---|
| | June 29, 2002 | June 30, 2001 | June 29, 2002 | June 30, 2001 |
| Income (loss) before extraordinary item and cumulative effect of adoption of a new accounting standard | $ 8,815 | $ (9,408) | $ 24,272 | $ 17,021 |
| Weighted average shares | 150,054,322 | 147,131,965 | 149,827,780 | 146,839,930 |
| Basic earnings (loss) per share before extraordinary item and cumulative effect of adoption of a new accounting standard | $ 0.06 | $ (0.06) | $ 0.16 | $ 0.12 |

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in 000s, except per share data)
(Unaudited)

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|---|---|---|---|
| | June 29, 2002 | June 30, 2001 | June 29, 2002 | June 30, 2001 |
| Weighted average shares including the dilutive effect of potential common shares (1,881,654 and 0 for the thirteen weeks ended June 29, 2002 and June 30, 2001, respectively, and 2,472,247 and 2,670,639 for the twenty-six weeks ended June 29, 2002 and June 30, 2001, respectively) | 151,935,976 | 147,131,965 | 152,300,027 | 149,510,569 |
| Diluted earnings (loss) per share before extraordinary item and cumulative effect of adoption of a new accounting standard | $ 0.06 | $ (0.06) | $ 0.16 | $ 0.12 |

At June 29, 2002 and June 30, 2001, there were $415 and $394, respectively, in Zero Coupon Convertible Senior Debentures that were convertible into approximately 5,000 shares of Class A Common Stock. For each of the thirteen and twenty-six weeks ended June 29, 2002 and June 30, 2001, these potential shares were excluded from the computation of Diluted EPS because their effect would not be dilutive. Additionally, there were approximately 15,686,000 and 14,385,000 stock options and warrants for the thirteen weeks ended June 29, 2002 and June 30, 2001, respectively, and 15,453,000 and 6,016,000 stock options for the twenty-six weeks ended June 29, 2002 and June 30, 2001, 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**

Statement of Financial Accounting Standards No. 130, “Reporting Comprehensive Income” (“FAS 130”) establishes standards for reporting and displaying comprehensive income and its components on the Company’s consolidated financial statements. Comprehensive income is defined in FAS 130 as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources and is comprised of net income (loss) and other comprehensive income (loss).

Total comprehensive income (loss) for the thirteen weeks ended June 29, 2002 and June 30, 2001 was $33,998 and ($24,838), respectively. Total comprehensive loss for the twenty-six weeks ended June 29, 2002 and June 30, 2001 was ($233,062) and ($14,770), respectively.

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

| | Foreign currency translation adjustment | Unrealized gain (loss) on available-for-sale securities | Accumulated other comprehensive income (loss) |
|---|---|---|---|
| **Balance at December 29, 2001** | $(52,744) | $ (672) | $(53,416) |
| Change in foreign currency translation adjustment | (2,328) | — | (2,328) |
| Unrealized holding gain arising during the quarter | — | 4,789 | 4,789 |
| Realized gain included in net income | — | (4,117) | (4,117) |
| **Balance at March 30, 2002** | (55,072) | — | (55,072) |
| Change in foreign currency translation adjustment | 25,183 | — | 25,183 |
| **Balance at June 29, 2002** | $(29,889) | $ — | $(29,889) |

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in 000s, except per share data)
(Unaudited)

| | Foreign currency translation adjustment | Unrealized gain (loss) on available-for-sale securities | Accumulated other comprehensive income (loss) |
|---|---|---|---|
| **Balance at December 30, 2000** | $(28,901) | $16,965 | $(11,936) |
| Change in foreign currency translation adjustment | (17,824) | — | (17,824) |
| Unrealized holding gain arising during the quarter | — | 1,463 | 1,463 |
| **Balance at March 31, 2001** | (46,725) | 18,428 | (28,297) |
| Change in foreign currency translation adjustment | (8,833) | — | (8,833) |
| Unrealized holding loss arising during the quarter | — | (3,987) | (3,987) |
| **Balance at June 30, 2001** | $(55,558) | $14,441 | $(41,117) |

In March 2002, the Company sold its remaining shares of SOFTBANK Corp. ("Softbank") common stock for cash proceeds of $31,840, resulting in a pre-tax gain of $6,535 and an after-tax gain of $4,117, net of deferred taxes of $2,418 (see Note 9).

**Note 4 — Cumulative Effect of Adoption of a New Accounting Standard**

Effective the first quarter of 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 142 eliminates the amortization of goodwill; and instead, goodwill is reviewed for impairment upon adoption and at least annually thereafter. In connection with the initial impairment tests, the Company obtained valuations of its individual reporting units from an independent third-party valuation firm. The valuation methodologies included, but were not limited to, estimated net present value of the projected future cash flows of these reporting units. As a result of these impairment tests, the Company recorded a one-time, noncash charge of $280,861, net of income taxes of $2,633, to reduce the carrying value of goodwill to its implied fair value in accordance with FAS 142. This charge is reflected as a cumulative effect of adoption of a new accounting standard in the Company's consolidated statement of income.

The changes in the carrying amounts of goodwill for the twenty-six weeks ended June 29, 2002 are as follows:

| | North America | Europe | Other international | Total |
|---|---|---|---|---|
| Balance at December 29, 2001 | $78,304 | $ 75,510 | $ 354,413 | $ 508,227 |
| Impairment charge upon adoption of FAS 142 | — | (75,510) | (207,984) | (283,494) |
| Foreign currency translation | — | — | (145) | (145) |
| Balance at March 30, 2002 | 78,304 | — | 146,284 | 224,588 |
| Acquisition of minority interest | — | — | 7,001 | 7,001 |
| Foreign currency translation | 30 | — | 175 | 205 |
| Balance at June 29, 2002 | $78,334 | $ — | $ 153,460 | $ 231,794 |

In accordance with FAS 142, no amortization of goodwill was recorded for the thirteen and twenty-six weeks ended June 29, 2002. If amortization expense of $4,939 and $10,610 had not been recorded in the thirteen and twenty-six weeks ended June 30, 2001, respectively, net income (loss) for that period would have been $(7,125) or $(0.05) per diluted share and $24,923 or $0.17 per diluted share, respectively.

(Dollars in 000s, except per share data)

Table of Contents



**Note 5 — Reorganization Costs**

The Company initiated a broad-based reorganization plan in June 2001 with detailed actions implemented initially in North America and later in Europe and Other international to streamline operations and reorganize resources to increase flexibility, improve service and generate cost savings and operational efficiencies. These actions included restructuring of several functions, consolidation of facilities, and reductions of headcount. The Company continued to develop this broad-based plan through the second quarter of 2002 and expects to implement additional detailed actions throughout 2002.

The following table summarizes the Company's reorganization charges taken for the twenty-six weeks ended June 29, 2002 and full year 2001 related to these actions:

| Quarter Ended | Headcount | Employee Termination Benefits | Facility Costs | Other Costs | Total |
|---|---|---|---|---|---|
| **June 29, 2002** | | | | | |
| North America | 270 | $ 1,629 | $ 897 | $ — | $ 2,526 |
| Europe | 90 | 1,883 | 437 | (392) | 1,928 |
| Other international | 110 | 916 | — | — | 916 |
| | 470 | 4,428 | 1,334 | (392) | 5,370 |
| **March 30, 2002** | | | | | |
| North America | 105 | 996 | — | — | 996 |
| Europe | 20 | 448 | 814 | — | 1,262 |
| Other international | 90 | 330 | 822 | — | 1,152 |
| | 215 | 1,774 | 1,636 | — | 3,410 |
| **Twenty-six weeks ended June 29, 2002** | 685 | $ 6,202 | $ 2,970 | $ (392) | $ 8,780 |
| **December 29, 2001** | | | | | |
| North America | 110 | $ 1,082 | $ 49 | $ 87 | $ 1,218 |
| Europe | 120 | 2,505 | 4,941 | 966 | 8,412 |
| Other international | 70 | 729 | 234 | 17 | 980 |
| | 300 | 4,316 | 5,224 | 1,070 | 10,610 |
| **September 29, 2001** | | | | | |
| North America | 65 | 413 | 6,274 | — | 6,687 |
| Europe | 150 | 1,189 | 1,316 | 1,785 | 4,290 |
| Other international | 35 | 768 | — | — | 768 |
| | 250 | 2,370 | 7,590 | 1,785 | 11,745 |
| **June 30, 2001** | | | | | |
| North America | 1,480 | 9,292 | 8,490 | 402 | 18,184 |
| Europe | 120 | 732 | 115 | 25 | 872 |
| | 1,600 | 10,024 | 8,605 | 427 | 19,056 |
| **Full year 2001** | 2,150 | $16,710 | $21,419 | $3,282 | $41,411 |

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in 000s, except per share data)
(Unaudited)

The reorganization charge of $5,370 for the thirteen weeks ended June 29, 2002 includes $5,082 related to detailed actions taken in the second quarter of 2002 and net additional charges of $288 to reflect adjustments to the detailed actions in the second, third and fourth quarters of 2001. These adjustments are explained further under the following discussions of the reorganization actions below.

**2002 Reorganization Actions**

***Quarter ended June 29, 2002***

The Company's reorganization plan for the second quarter of 2002 primarily included workforce reductions in North America, Europe and Other international operations. The Company anticipates that these restructuring actions will be substantially completed within twelve months from June 29, 2002.

The reorganization charges, related payment activities for the thirteen weeks ended June 29, 2002 and the remaining liability at June 29, 2002 are summarized as follows:

| | Reorganization Costs | Amounts Paid and Charged Against the Liability | Adjustments | Remaining Liability at June 29, 2002 |
|---|---|---|---|---|
| Employee termination benefits | $4,428 | $1,651 | $ — | $2,777 |
| Facility costs | 525 | 386 | — | 139 |
| Other costs | 129 | 34 | — | 95 |
| Total | $5,082 | $2,071 | $ — | $3,011 |

***Quarter ended March 30, 2002***

The Company's reorganization plan for the first quarter of 2002 included facility consolidations in Europe and Other international operations and workforce reductions in North America, Europe and Other international operations. The Company anticipates that these restructuring actions will be substantially completed within twelve months from March 30, 2002.

The reorganization charges, related payment activities for the twenty-six weeks ended June 29, 2002 and the remaining liability at June 29, 2002 are summarized as follows:

| | Reorganization Costs | Amounts Paid and Charged Against the Liability | Adjustments | Remaining Liability at June 29, 2002 |
|---|---|---|---|---|
| Employee termination benefits | $1,774 | $1,353 | $ — | $421 |
| Facility costs | 1,636 | 1,481 | — | 155 |
| Total | $3,410 | $2,834 | $ — | $576 |

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in 000s, except per share data)
(Unaudited)

**2001 Reorganization Actions**

***Quarter ended December 29, 2001***

The Company's reorganization plan for the fourth quarter of 2001 focused primarily in Europe, and to a limited extent, in North America and Other international. This reorganization plan included facility consolidations, primarily in Europe and workforce reductions in North America, Europe and Other international. The Company anticipates that these restructuring actions will be substantially completed within twelve months from December 29, 2001.

The payment activities and adjustments for the twenty-six weeks ended June 29, 2002 and the remaining liability at June 29, 2002 relating to the quarter ended December 29, 2001 restructuring actions are summarized as follows:

| | Outstanding Liability at December 29, 2001 | Amounts Paid and Charged Against the Liability | Adjustments | Remaining Liability at June 29, 2002 |
|---|---|---|---|---|
| Employee termination benefits | $2,491 | $1,579 | $ — | $ 912 |
| Facility costs | 2,111 | 58 | (88) | 1,965 |
| Other costs | 766 | 271 | — | 495 |
| Total | $5,368 | $1,908 | $(88) | $3,372 |

The adjustment to facility costs reflects lower cost of terminating several leases in Europe and was recorded as a credit to reorganization expense in the consolidated statement of income for the second quarter of 2002.

***Quarter ended September 29, 2001***

The Company's reorganization plan for the third quarter of 2001 focused primarily in North America and Europe and, to a limited extent, Other international. This reorganization plan included facility consolidations in the Company's North American headquarters and two warehouse and office facilities in Southern Europe, and headcount reductions in North America, Europe and Other international operations. The Company anticipates that these restructuring actions will be substantially completed within twelve months from September 29, 2001.

The payment activities and adjustments for the twenty-six weeks ended June 29, 2002 and the remaining liability at June 29, 2002 relating to the quarter ended September 29, 2001 restructuring actions are summarized as follows:

| | Outstanding Liability at December 29, 2001 | Amounts Paid and Charged Against the Liability | Adjustments | Remaining Liability at June 29, 2002 |
|---|---|---|---|---|
| Employee termination benefits | $ 7 | $ 7 | $ — | $ — |
| Facility costs | 4,228 | 1,695 | — | 2,533 |
| Other costs | 1,344 | 728 | (521) | 95 |
| Total | $5,579 | $2,430 | $(521) | $2,628 |

The adjustment to other costs reflects the favorable settlement of a contract termination in Europe and was recorded as a credit to reorganization expense in the consolidated statement of income for the second quarter of 2002.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in 000s, except per share data)
(Unaudited)

***Quarter ended June 30, 2001***

The Company's reorganization plan for the second quarter of 2001 focused primarily in North America and, to a limited extent, in Europe and Other international operations. This reorganization plan included the closure of the Newark, California distribution center, downsizing the Miami, Florida distribution center, closing the returns processing centers in Santa Ana and Rancho Cucamonga, California and centralizing returns in the Harrisburg, Pennsylvania returns center; restructuring the North American sales force, consolidating the North American product management division; and reorganizing information technology resources. These restructuring actions were substantially completed at June 29, 2002.

The payment activities and adjustments for the twenty-six weeks ended June 29, 2002 and the remaining liability at June 29, 2002 relating to the quarter ended June 30, 2001 restructuring actions are summarized as follows:

| | Outstanding Liability at December 29, 2001 | Amounts Paid and Charged Against the Liability | Adjustments | Remaining Liability at June 29, 2002 |
|---|---|---|---|---|
| Employee termination benefits | $1,503 | $ 931 | $ — | $ 572 |
| Facility costs | 2,525 | 1,306 | 897 | 2,116 |
| Total | $4,028 | $2,237 | $897 | $2,688 |

The adjustment to facility costs reflects higher cost of terminating the lease on the Miami distribution center due to lower than expected sublease income earned on the exited distribution center. This adjustment was recorded as a charge to reorganization expense in the consolidated statement of income for the second quarter of 2002.

**Note 6 — Accounts Receivable**

In March 2000, the Company entered into a revolving five-year accounts receivable securitization financing program in the U.S., which provides for the issuance of up to $700,000 in commercial paper. In connection with this program, most of the Company's U.S. trade accounts receivable are transferred without recourse to a trust, in exchange for a beneficial interest in the total pool of trade receivables. The trust has issued fixed-rate, medium-term certificates and has the ability to support a commercial paper program through the issuance of undivided interests in the pool of trade receivables to third parties. Sales of undivided interests to third parties under this program result in a reduction of total accounts receivable in the Company's consolidated balance sheet. The excess of the trade accounts receivable transferred over amounts sold to and held by third parties at any one point in time represents the Company's retained interest in the transferred accounts receivable and is shown in the Company's consolidated balance sheet as a separate caption under accounts receivable. Retained interests are carried at their fair market value, estimated as the net realizable value, which considers the relatively short liquidation period and includes an estimated provision for credit losses. At June 29, 2002 and December 29, 2001, the amount of undivided interests sold to and held by third parties totaled $65,000 and $80,000, respectively, under the U.S. program.

The Company also has other revolving facilities relating to accounts receivable in Europe and Canada, which provide up to approximately $265,000 of additional financing capacity. Under these programs, $108,596 and $142,253 of trade accounts receivable were sold to and held by third parties at June 29, 2002 and December 29, 2001, respectively, resulting in a further reduction of trade accounts receivable in the Company's consolidated balance sheet.

**INGRAM MICRO INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Dollars in 000s, except per share data)**
**(Unaudited)**

The aggregate amount of trade accounts receivable sold to and held by third parties under the U.S., Europe, and Canadian programs, or off-balance sheet debt, at June 29, 2002 and December 29, 2001 totaled $173,596 and $222,253, respectively.

Losses in the amount of $2,145 and $3,979 for the thirteen weeks ended June 29, 2002 and June 30, 2001, respectively, and $4,858 and $12,081 for the twenty-six weeks ended June 29, 2002 and June 30, 2001, respectively, related to sales of trade accounts receivable under these facilities are included in other expenses in the Company's consolidated statement of income.

**Note 7 — Long-Term Debt**

On August 16, 2001, the Company sold $200,000 of 9.875% Senior Subordinated Notes due 2008 to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended, at an issue price of 99.382%, resulting in cash proceeds of approximately $195,084 (net of issuance costs of approximately $3,680). The Company subsequently registered the exchange of these senior subordinated notes under the Securities Act of 1933, as amended. Under the terms of these notes, the Company is required to comply with certain restrictive covenants, including restrictions on the incurrence of additional indebtedness, the amount of dividends the Company can pay and the amount of capital stock the Company can repurchase.

Interest on the notes is payable semi-annually in arrears on February 15 and August 15, commencing on February 15, 2002. The Company may redeem any of the notes beginning on August 15, 2005 with an initial redemption price of 104.938% of their principal amount plus accrued interest. The redemption price of the notes will be 102.469% plus accrued interest beginning on August 15, 2006 and will be 100% of their principal amount plus accrued interest beginning on August 15, 2007. In addition, on or before August 15, 2004, the Company may redeem up to 35% of the notes at a redemption price of 109.875% of their principal amount plus accrued interest using the proceeds from sales of certain kinds of capital stock. The Company may make such redemption only if at least 65% of the aggregate principal amount of notes originally issued remain outstanding.

On August 16, 2001, the Company entered into interest rate swap agreements with two financial institutions, the effect of which was to swap the Company's fixed rate obligation on the Company's Senior Subordinated Notes for a floating rate obligation equal to 90-day LIBOR plus 4.260%. All other financial terms of the interest rate swap agreements are identical to those of the senior subordinated notes, except for the quarterly payment of interest, which will be on February 15, May 15, August 15 and November 15 in each year, commencing on November 15, 2001 and ending on the termination date of the swap agreements. At June 29, 2002 and December 29, 2001, the marked-to-market value of the interest rate swap represented an asset of $11,826 and $6,070, respectively, which was recorded in other assets with an offsetting adjustment to the hedged debt, increasing the total carrying value of the senior subordinated notes to $210,743 and $204,899, respectively.

Effective June 28, 2002, the Company entered into a three-year revolving secured credit facility for approximately $105 million with a financial institution that has an arrangement with a third party issuer of commercial paper. The facility requires certain commitment fees, and borrowings under the facility incur financing costs at rates indexed to LIBOR. The Company's ability to access financing under this facility is dependent upon the level of trade accounts receivable of one of its European subsidiaries and the availability and level of market demand for commercial paper. If the third party issuer is unable to issue commercial paper, or the credit ratings of the issuer or the financial institution are downgraded, the Company could lose access to financing under this program. The Company had no outstanding borrowings under this facility as of June 29, 2002.

**INGRAM MICRO INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Dollars in 000s, except per share data)**
**(Unaudited)**

**Note 8 — Segment Information**

The Company operates predominantly in a single industry segment as a distributor of IT products and services. The Company's reportable operating segments are based on geographic location, and the measure of segment profit is income from operations. Geographic areas in which the Company conducts distribution operations include: North America (United States and Canada); Europe (Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Italy, The Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, and the United Kingdom) and Other international (Australia, The People's Republic of China [including Hong Kong], India, Malaysia, New Zealand, Singapore, Thailand, Argentina, Brazil, Chile, Mexico, and Peru). Effective in fiscal year 2002, the Company combined its U.S. and Canadian operations and now reports these entities as its North American segment consistent with the Company's current management organizational structure. The Company's Canadian operations were previously reported under Other international operations. Prior year amounts have been reclassified to conform to the current segment structure. Inter-geographic sales primarily represent intercompany sales that are accounted for based on established sales prices between the related companies and are eliminated in consolidation.

Financial information by geographic segment is as follows:

| | As of and for the Thirteen Weeks Ended | | As of and for the Twenty-six Weeks Ended | |
|---|---|---|---|---|
| | June 29, 2002 | June 30, 2001 | June 29, 2002 | June 30, 2001 |
| **Net sales:** | | | | |
| North America | | | | |
| Sales to unaffiliated customers | $2,956,975 | $3,691,474 | $ 6,073,883 | $ 8,046,056 |
| Transfers between geographic areas | 34,443 | 41,574 | 74,233 | 87,264 |
| Europe | 1,612,380 | 1,573,669 | 3,372,155 | 3,623,082 |
| Other international | 783,419 | 752,133 | 1,523,287 | 1,541,627 |
| Eliminations | (34,443) | (41,574) | (74,233) | (87,264) |
| Total | $5,352,774 | $6,017,276 | $10,969,325 | $13,210,765 |
| **Income (loss) from operations:** | | | | |
| North America | $ 24,441 | $ 7,712 | $ 47,783 | $ 60,192 |
| Europe | (1,744) | 781 | 10,998 | 24,576 |
| Other international | 3,244 | (3,675) | (2,002) | (9,480) |
| Total | $ 25,941 | $ 4,818 | $ 56,779 | $ 75,288 |
| **Reorganization costs (included in income (loss) from operations (Note 5)):** | | | | |
| North America | $ 2,526 | $ 18,184 | $ 3,522 | $ 18,184 |
| Europe | 1,928 | 872 | 3,190 | 872 |
| Other international | 916 | — | 2,068 | — |
| Total | $ 5,370 | $ 19,056 | $ 8,780 | $ 19,056 |

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in 000s, except per share data)
(Unaudited)

| | As of and for the Thirteen Weeks Ended | | As of and for the Twenty-six Weeks Ended | |
|---|---|---|---|---|
| | June 29, 2002 | June 30, 2001 | June 29, 2002 | June 30, 2001 |
| **Identifiable assets:** | | | | |
| North America | $3,350,971 | $3,496,974 | $3,350,971 | $3,496,974 |
| Europe | 1,035,662 | 1,095,908 | 1,035,662 | 1,095,908 |
| Other international | 356,766 | 695,684 | 356,766 | 695,684 |
| Total | $4,743,399 | $5,288,566 | $4,743,399 | $5,288,566 |
| **Capital expenditures:** | | | | |
| North America | $ 15,393 | $ 15,115 | $ 27,528 | $ 34,738 |
| Europe | 782 | 3,733 | 3,405 | 5,808 |
| Other international | 964 | 1,318 | 1,823 | 2,426 |
| Total | $ 17,139 | $ 20,166 | $ 32,756 | $ 42,972 |
| **Depreciation:** | | | | |
| North America | $ 14,959 | $ 18,493 | $ 29,607 | $ 36,157 |
| Europe | 4,716 | 4,772 | 8,894 | 9,041 |
| Other international | 1,677 | 1,413 | 3,416 | 2,820 |
| Total | $ 21,352 | $ 24,678 | $ 41,917 | $ 48,018 |
| **Goodwill Amortization:** | | | | |
| North America | $ — | $ 1,616 | $ — | $ 3,225 |
| Europe | — | 556 | — | 1,816 |
| Other international | — | 2,767 | — | 5,569 |
| Total | $ — | $ 4,939 | $ — | $ 10,610 |

**Note 9 — Commitments and Contingencies**

There are various claims, lawsuits and pending actions against the Company incident to the Company's operations. It is the opinion of management that the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

As is customary in the IT distribution industry, the Company has arrangements with certain finance companies that provide inventory financing facilities for its customers. In conjunction with certain of these arrangements, the Company has agreements with the finance companies that would require it to repurchase certain inventory which might be repossessed from the customers by the finance companies. Due to various reasons, including among other items, the lack of information regarding the amount of saleable inventory purchased from the Company still on hand with the customer at any point in time, the Company's repurchase obligations relating to inventory cannot be reasonably estimated. Repurchases of inventory by the Company under these arrangements have been insignificant to date.

**INGRAM MICRO INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Dollars in 000s, except per share data)**
**(Unaudited)**

At June 29, 2002 and December 29, 2001, the Company had recorded deferred tax liabilities of $120,647 and $118,229, respectively, associated with the realized gains relating to its sales of Softbank common stock. The Softbank common stock was sold in the public market by certain of the Company’s foreign subsidiaries, which are located in a low-tax jurisdiction. At the time of the sales, the Company concluded that U.S. taxes were not currently payable on the gains based on its internal assessment and opinions received from the Company’s advisors. However, in situations involving uncertainties in the interpretation of complex tax regulations by various taxing authorities, the Company provides for deferred tax liabilities unless the Company considers it probable that taxes will not be due. The level of opinions received from the Company’s advisors and its internal assessment did not allow it to reach that conclusion on this matter. Although the Company reviews its assessments in these matters on a regular basis, the Company cannot currently determine when this matter will be finally resolved with the taxing authorities or if taxes will ultimately be paid. The Company’s federal income tax returns through fiscal year 1996 have been audited and closed. The U.S. IRS has begun an audit process by initiating a survey of the Company’s federal income tax returns for fiscal years 1997 through 1999.

**Note 10 — New Accounting Standards**

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, “Accounting for Asset Retirement Obligations” (“FAS 143”). FAS 143 requires capitalizing asset retirement costs as part of the total cost of the related long-lived asset and subsequently allocating the total expense to future periods using a systematic and rational method. Adoption of FAS 143 is required for the Company’s fiscal year beginning December 29, 2002. The Company is in the process of assessing what impact, if any, FAS 143 may have on its consolidated financial position or results of operations.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“FAS 144”). FAS 144 supersedes FAS 121 but retains many of its fundamental provisions. In addition, FAS 144 expands the scope of discontinued operations to include more disposal transactions. The provisions of FAS 144 were effective for the Company’s fiscal year beginning December 30, 2001. The adoption of FAS 144 did not have a material impact on the Company’s consolidated financial position or results of operations upon adoption.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002” (“FAS 145”). FAS 145 rescinds FASB Statement No. 4, “Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, FASB Statement No. 64, “Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements.” It also amends FASB Statement No. 13, “Accounting for Leases,” to address certain lease modifications and requires sale-leaseback accounting for certain modifications. In addition, it makes other nonsubstantive technical corrections to existing authoritative pronouncements. Adoption of FAS 145 is required for the Company’s fiscal year beginning after December 29, 2002. The Company is in the process of assessing what impact, if any, FAS 145 may have on its consolidated financial position or results of operations.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (“FAS 146”). FAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” The provisions of FAS 146 are effective, on a prospective basis, for exit or disposal activities initiated by the Company after December 31, 2002. The Company is in the process of assessing what impact, if any, FAS 146 may have on its consolidated financial position or results of operations.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this Quarterly Report on Form 10-Q, we make statements that are forward-looking and other statements that are not historical facts. These forward-looking statements and other statements that are not historical facts are subject to a number of risks and uncertainties. Readers should carefully consider the important factors and the risks and uncertainties discussed in Exhibit 99.01 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2001. Also see "Cautionary Statements for the Purpose of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995" below. In addition, this Management's Discussion and Analysis, or MD&A, should be read in conjunction with the MD&A and related information included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") for the year ended December 29, 2001.

Starting in the first quarter of 2002, we combined our U.S. and Canadian regions, which are now reported as our North American operations, consistent with our current management organizational structure. Our Canadian operations were previously reported under geographic regions outside U.S. and Europe, or our Other international operations. Prior year amounts have been reclassified to conform to the current year presentation.

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

| | Thirteen Weeks Ended | | | | Twenty-six Weeks Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 29, 2002 | | June 30, 2001 | | June 29, 2002 | | June 30, 2001 | |
| | (dollars in millions) | | | | | | | |
| Net sales by geographic region: | | | | | | | | |
| North America | $2,957 | 55.2% | $3,691 | 61.3% | $ 6,074 | 55.4% | $ 8,046 | 60.9% |
| Europe | 1,612 | 30.1 | 1,574 | 26.2 | 3,372 | 30.7 | 3,623 | 27.4 |
| Other international | 784 | 14.7 | 752 | 12.5 | 1,523 | 13.9 | 1,542 | 11.7 |
| Total | $5,353 | 100.0% | $6,017 | 100.0% | $10,969 | 100.0% | $13,211 | 100.0% |

The following table sets forth certain items from our consolidated statement of income as a percentage of net sales, for each of the periods indicated.

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|---|---|---|---|
| | June 29, 2002 | June 30, 2001 | June 29, 2002 | June 30, 2001 |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales | 94.5 | 94.8 | 94.6 | 94.7 |
| Gross profit | 5.5 | 5.2 | 5.4 | 5.3 |
| Operating expenses: | | | | |
| SG&A expenses | 4.9 | 4.8 | 4.8 | 4.6 |
| Reorganization costs | 0.1 | 0.3 | 0.1 | 0.1 |
| Income from operations | 0.5 | 0.1 | 0.5 | 0.6 |
| Other expense (income), net | 0.2 | 0.3 | 0.2 | 0.4 |
| Income (loss) before income taxes, extraordinary item and cumulative effect of adoption of a new accounting standard | 0.3 | (0.2) | 0.3 | 0.2 |
| Provision for (benefit from) income taxes | 0.1 | (0.0) | 0.1 | 0.1 |
| Income (loss) before extraordinary item and cumulative effect of adoption of a new accounting standard | 0.2 | (0.2) | 0.2 | 0.1 |
| Extraordinary loss on repurchase of debentures, net of income taxes | — | (0.0) | — | (0.0) |
| Cumulative effect of adoption of a new accounting standard, net of income taxes | — | — | (2.5) | — |
| Net income (loss) | 0.2% | (0.2)% | (2.3)% | 0.1% |

**Management's Discussion and Analysis Continued**

**Thirteen Weeks Ended June 29, 2002 Compared to Thirteen Weeks Ended June 30, 2001**

Our consolidated net sales decreased 11.0% to $5.35 billion for the thirteen weeks ended June 29, 2002, or second quarter of 2002, from $6.02 billion for the thirteen weeks ended June 30, 2001, or second quarter of 2001. The decrease in net sales compared to the prior year was primarily attributable to the sluggish demand for information technology ("IT") products and services throughout the world. This decline in demand, which initially surfaced in the fourth quarter of 2000, has continued to date and is expected to continue, and may worsen, in the near term. However, on a sequential basis from the first quarter of 2002, our net sales appear to be more in line with historical seasonal trends before the severe downturn in the IT industry. This seasonal trend may not continue. In addition, our net sales in the future may be negatively impacted if Hewlett-Packard Company ("HP") decides to increase the level of business it transacts directly with end-users and/or resellers in different product categories, customer segments, and/or geographies. We generated approximately 39% of our net sales in fiscal 2001 from products purchased from three vendors. HP and Compaq Computer Company, which HP recently acquired, were two of these vendors.

Net sales from our North American operations decreased 19.9% to $2.96 billion in the second quarter of 2002 from $3.69 billion in the second quarter of 2001 primarily due to the decline in demand for IT products and services, consistent with the continued softness of the economy in North America, as well as the decision of certain vendors to pursue a direct sales model. These trends may continue to adversely impact our net sales. Net sales from our European operations decreased approximately 2% in local currencies due to the continued softness in demand for IT products and services in most European countries, but when converted to U.S. dollars, net sales increased by 2.5% to $1.61 billion in the second quarter of 2002 from $1.57 billion in the second quarter of 2001, primarily reflecting the appreciation of European currencies compared to the U.S. dollar. In our Other international operations, net sales increased 4.2% to $784 million in the second quarter of 2002 from $752 million in the second quarter of 2001 primarily due to our Asia-Pacific region, which now has an improved infrastructure to support future growth.

Gross margin increased to 5.5% in the second quarter of 2002 from 5.2% in the second quarter of 2001. The improvement in our gross margin was primarily due to the effect of changes in our inventory management processes, thereby reducing inventory losses; additional fee-based services; and vendor programs. We also continuously evaluate and modify our pricing policies and certain of the terms and conditions offered to our customers to reflect those being imposed by our vendors and general market conditions. As we evaluate our pricing policy changes made to date, and make future pricing policy changes, if any, we may experience moderated or negative sales growth in the near term. The softness in economies around the world, as well as increased competition, partially resulting from the economic slowdown, may hinder our ability to maintain and/or improve gross margins from the levels realized in recent quarters.

Total selling, general and administrative, or SG&A, expenses decreased 10.2% to $261.8 million in the second quarter of 2002 from $291.7 million in the second quarter of 2001. The decrease in our SG&A expenses was attributable primarily to the savings that resulted from our reorganization efforts discussed below, continued cost control measures, lower volume of business and elimination of approximately $5 million of goodwill amortization expense during the quarter as a result of the adoption of a new accounting standard (see Note 4 to consolidated financial statements). However, as a result of the significant decline in our revenues, SG&A expenses as a percentage of net sales increased to 4.9% in the second quarter of 2002 from 4.8% in 2001. We continue to pursue and implement business process improvements and organizational changes to create sustained cost reductions without sacrificing customer service over the long-term.

We initiated a broad-based reorganization plan in June 2001 with detailed actions implemented initially in North America and later in Europe and Other international to streamline operations and reorganize resources to increase flexibility, improve service and generate cost savings and operational efficiencies (see Note 5 to consolidated financial statements). These actions included restructuring of several functions, consolidation of facilities, and reductions of headcount. We continued to develop and implement detailed reorganization actions in the second quarter of 2002. Our reorganization actions in 2001 and to date have generated a significant portion of the reduction in SG&A expenses we realized over the prior year.

In connection with this reorganization effort, we recorded a charge of $5.4 million in the second quarter of 2002. This included $5.1 million for initiatives in the second quarter of 2002 and net adjustments of $0.3 million related to initiatives from 2001. The charge of $5.1 million for the second quarter of 2002 included $1.6 million in North America, $2.6 million in Europe and $0.9 million in Other international related primarily to workforce reductions in our North

**Management's Discussion and Analysis Continued**

America, Europe and Other international operations. These charges included $4.4 million in employee termination benefits for approximately 470 employees ($1.6 million for approximately 270 employees in North America, $1.9 million for approximately 90 employees in Europe, and $0.9 million for approximately 110 employees in Other international), $0.6 million for closing, downsizing and consolidating facilities in Europe and $0.1 million of other costs associated with the reorganization. We anticipate that these initiatives will be substantially completed within twelve months from June 29, 2002. In addition, we recorded a net charge of $0.3 million, which consisted of a charge of $0.9 million to reflect the increase in the estimated loss on the lease for the Miami facility exited in connection with the detailed action from the second quarter of 2001 and credits of $0.5 million and $0.1 million to the costs associated with the detailed actions for the third and fourth quarters of 2001, respectively, as a result of more favorable settlements of lease and other contract terminations in Europe. In the second quarter of 2001, we recorded a restructuring charge of $19.1 million. This charge consisted of $10.1 million in employee termination benefits for approximately 1,600 employees; $8.6 million for closing, downsizing and consolidating certain distribution and returns processing centers, consisting primarily of future lease costs net of estimated sublease income and the write-off of related fixed assets; and $0.4 million of other costs associated with the reorganization. These initiatives had been substantially completed at June 29, 2002. We expect to implement additional detailed actions throughout the second half of 2002, such as our decision in July 2002 to close our configuration center in Memphis, Tennessee. These additional actions could result in significant reorganization costs, major cost-reduction program expenses and other charges as well as additional savings.

Income from operations, including reorganization costs, as a percentage of net sales increased to 0.5% in the second quarter of 2002 compared to 0.1% in the second quarter of 2001. Income from operations, excluding reorganization costs, increased as a percentage of net sales to 0.6% in the second quarter of 2002 from 0.4% in 2001. The increase in our income from operations, excluding reorganization costs, as a percentage of net sales, was primarily due to our improvement in gross margin, partially offset by the increase in SG&A expenses as a percentage of net sales, both of which are discussed above. Our North American income from operations, excluding reorganization costs, as a percentage of net sales increased to 0.9% in the second quarter of 2002 from 0.7% in 2001. Our European income from operations, excluding reorganization costs, as a percentage of net sales decreased to less than 0.1% in the second quarter of 2002 from 0.1% in the second quarter of 2001. Our Other international income from operations, excluding reorganization costs, as a percentage of net sales increased to 0.5% in the second quarter of 2002 from a loss from operations of 0.5% in the second quarter of 2001.

Other expense (income) consisted primarily of interest, foreign currency exchange losses, losses on sales of receivables under our ongoing accounts receivable facilities and other non-operating gains and losses. For the second quarter of 2002, we recorded net other expense of $11.9 million, or 0.2% as a percentage of net sales, compared to $19.5 million for the second quarter of 2001, or 0.3% as a percentage of net sales in the second quarter of 2001. The decrease in net other expense was attributable to higher interest income, resulting from the higher average cash and cash equivalents balances, and lower interest expense resulting from the lower average borrowings in the second quarter of 2002 compared to the second quarter of 2001. These amounts were partially offset by higher foreign exchange losses, primarily in Latin America, in the second quarter of 2002 compared to second quarter of 2001. The decrease in our average borrowings outstanding, including off-balance sheet debt resulting from utilization of our accounts receivable facilities, compared to the prior period primarily reflects our continued focus on managing working capital as well as the overall lower volume of business.

Our effective tax provision rate was 37.0% in the second quarter of 2002 compared to an effective tax benefit rate of 36.0% in the second quarter of 2001. The change in our effective tax rate was primarily attributable to changes in the proportion of income earned and/or benefits allowed for losses within the various taxing jurisdictions and/or tax rates applicable to such taxing jurisdictions and the elimination of goodwill amortization, a substantial portion of which was not deductible for tax purposes.

In June 2001, at the option of the holders, we repurchased more than 99% of our outstanding Zero Coupon Convertible Senior Debentures with a total carrying value of $220.8 million for $225.0 million in cash, resulting in an extraordinary loss of $2.6 million, net of tax benefits of $1.6 million. No such transaction occurred in the second quarter of 2002.

**Management's Discussion and Analysis Continued**

**Twenty-six Weeks Ended June 29, 2002 Compared to Twenty-six Weeks Ended June 30, 2001**

Net sales from our North American operations decreased 24.5% to $6.07 billion for the twenty-six weeks ended June 29, 2002, or first six months of 2002, from $8.05 billion for the twenty-six weeks ended June 30, 2001, or first six months of 2001. Net sales from our European operations decreased 6.9% (approximately 7% in local currencies) to $3.37 billion in the first six months of 2002 from $3.62 billion in the first six months of 2001. For our Other international operations, net sales decreased 1.2% to $1.52 billion in the first six months of 2002 from $1.54 billion in the first six months of 2001. Our consolidated net sales decreased 17.0% to $10.97 billion in the first six months of 2002, from $13.21 billion in the first six months of 2001. The decrease in worldwide net sales was primarily attributable to the same factors summarized in our discussion of net sales for the second quarters of 2002 and 2001.

Gross margin increased to 5.4% in the first six months of 2002 from 5.3% in the first six months of 2001. The improvement in our gross margin was primarily attributable to the same factors summarized in our discussion of gross margin for the second quarters of 2002 and 2001.

Total SG&A expenses decreased 12.3% to $531.2 million in the first six months of 2002 from $605.5 million in the first six months of 2001. The decrease in our SG&A expenses was attributable primarily to the savings that resulted from our reorganization efforts discussed below, continued cost control measures, lower volume of business and elimination of approximately $11 million of goodwill amortization expense during the first six months of 2002 as a result of the adoption of a new accounting standard. However, as a result of the recent significant decline in our revenues, SG&A expenses as a percentage of net sales increased to 4.8% in the first six months of 2002 from 4.6% in the same period last year. We continue to pursue and implement business process improvements and organizational changes to create sustained cost reductions without sacrificing customer service over the long-term.

In connection with our reorganization efforts, we recorded a charge of $8.8 million for the first six months of 2002. This included $8.5 million for initiatives in the first and second quarters of 2002 and net adjustments of $0.3 million related to initiatives from 2001. The charge of $8.5 million for the first six months of 2002 included $6.2 million in employee termination benefits for approximately 685 employees and $2.2 million for closing, downsizing and consolidating facilities, consisting primarily of future lease costs net of estimated sublease income and $0.1 million of other costs associated with the reorganization. In addition, we recorded a net charge of $0.3 million, which consisted of a charge of $0.9 million to reflect the increase in the estimated loss on the lease for the Miami facility exited in connection with the detailed action from the second quarter of 2001 and credits of $0.5 million and $0.1 million to the costs associated with the detailed actions for the third and fourth quarters of 2001, respectively, as a result of more favorable settlements of lease and other contract terminations in Europe. We anticipate that these initiatives will be substantially completed within twelve months from the date of each initiative. In the first six months of 2001, we recorded a restructuring charge of $19.1 million. This charge consisted of $10.1 million in employee termination benefits for approximately 1,600 employees; $8.6 million for closing, downsizing and consolidating certain distribution and returns processing centers, consisting primarily of future lease costs net of estimated sublease income and the write-off of related fixed assets; and $0.4 million of other costs associated with the reorganization. These initiatives had been substantially completed at June 29, 2002. We expect to implement additional detailed actions throughout 2002, such as our decision in July 2002 to close our configuration center in Memphis, Tennessee. These additional actions could result in significant reorganization costs, major cost-reduction program expenses and other charges as well as additional savings.

Income from operations, including reorganization costs, decreased as a percentage of net sales to 0.5% in the first six months of 2002 from 0.6% in the first six months of 2001. Income from operations, excluding reorganization costs, as a percentage of net sales decreased to 0.6% in the first six months of 2002 from 0.7% in the first six months of 2001. The decrease in our income from operations, excluding reorganization costs, as a percentage of net sales, was primarily due to the increase in SG&A expenses as a percentage of net sales, partially offset by our improvement in gross margin, both of which are discussed above. North American income from operations, excluding reorganization costs, as a percentage of net sales decreased to 0.8% in the first six months of 2002 from 1.0% in the first six months of 2001. European income from operations, excluding reorganization costs, as a percentage of net sales decreased to 0.4 % in the first six months of 2002 from 0.7% in the first six months of 2001. For Other international operations, income from operations, excluding reorganization costs, as a percentage of net sales was less than 0.1% in the first six months of 2002 compared to a loss from operations of 0.6% in the first six months of 2001.

**Management's Discussion and Analysis Continued**

Other expense (income) consisted primarily of interest, foreign currency exchange losses, losses on sales of receivables under our ongoing accounts receivable facilities, gain on sale of available-for-sale securities and other non-operating gains and losses. For the first six months of 2002, we recorded net other expense of $18.3 million, or 0.2% as a percentage of net sales, compared to $47.0 million for the first six months of 2001, or 0.4% as a percentage of net sales in the first six months of 2001. In the first six months of 2002, we sold our remaining shares of Softbank common stock for a pre-tax gain of approximately $6.5 million. No such transaction occurred in the first six months of 2001. Excluding this gain, net other expense in the first six months of 2002 decreased by $22.2 million or 47.3% compared to the first six months of 2001. The decrease in net other expense was attributable to higher interest income, resulting from the higher average cash and cash equivalents balances, and lower interest expense resulting from the lower average borrowings in the first six months of 2002 compared to the first six months of 2001. These amounts were partially offset by higher foreign exchange losses, primarily in Latin America, in the first six months of 2002 compared to the first six months of 2001. The decrease in our average borrowings outstanding, including off-balance sheet debt resulting from utilization of our accounts receivable facilities, compared to the prior period primarily reflects our continued focus on managing working capital as well as the overall lower volume of business.

Our effective tax provision rate was 37.0% in the first six months of 2002 compared to an effective tax provision rate of 39.8% in the first six months of 2001. The change in our effective tax rate was primarily attributable to changes in the proportion of income earned and/or benefits allowed for losses within the various taxing jurisdictions and/or tax rates applicable to such taxing jurisdictions and the elimination of goodwill amortization, a substantial portion of which was not deductible for tax purposes.

In June 2001, at the option of the holders, we repurchased more than 99% of our outstanding Zero Coupon Convertible Senior Debentures with a total carrying value of $220.8 million for $225.0 million in cash, resulting in an extraordinary loss of $2.6 million, net of tax benefits of $1.6 million, for the first six months of 2001.

Effective the first quarter of 2002, we adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 142 eliminates the amortization of goodwill (approximately $5 million per quarter in 2001); and instead, goodwill is reviewed for impairment upon adoption and at least annually thereafter. In connection with the initial impairment tests, we obtained valuations of our individual reporting units from an independent third-party valuation firm. The valuation methodologies included, but were not limited to, estimated net present value of the projected future cash flows of these reporting units. As a result of these initial impairment tests, we recorded a one-time, noncash charge of $280.9 million, net of income taxes of $2.6 million for the cumulative effect of adoption of this new accounting standard, to reduce the carrying value of goodwill to its implied fair value in accordance with FAS 142. If actual results are substantially lower than our projections underlying these valuations, or if market discount rates increase, this could adversely affect our current valuations and may result in additional future impairment charges.

**Quarterly Data; Seasonality**

Our quarterly operating results have fluctuated significantly in the past and will likely continue to do so in the future as a result of:

- seasonal variations in the demand for our products and services such as a reduction in demand in Europe during the summer months, increased Canadian government purchasing in the first quarter, and worldwide pre-holiday stocking in the retail channel during the September-to-November period;
- competitive conditions in our industry, which may impact the prices charged and terms and conditions imposed by our suppliers and/or competitors and the prices we charge our customers;
- variations in our levels of excess inventory and doubtful accounts, and changes in the terms of vendor-sponsored programs such as price protection and return rights;
- changes in the level of our operating expenses;
- the impact of acquisitions we may make;
- the impact of and possible disruption caused by reorganization efforts, including expenses and/or charges;

**Management's Discussion and Analysis Continued**

- the introduction by us or our competitors of new products and services offering improved features and functionality;
- the loss or consolidation of one or more of our significant suppliers or customers;
- product supply constraints;
- interest rate fluctuations, which may increase our borrowing costs, and may influence the willingness of customers and end-users to purchase products and services;
- currency fluctuations in countries in which we operate; and
- general economic conditions.

Given the general slowdown in the global economy and specifically the demand for IT products and services, these historical variations may not be indicative of future trends in the near term. Our narrow operating margins may magnify the impact of the foregoing factors on our operating results.

**Liquidity and Capital Resources**

*Cash Flows*

We have financed our operations largely through income from operations, borrowings, sales of accounts receivable through established accounts receivable financing facilities, trade and supplier credit, the sale of convertible debentures in June 1998 and senior subordinated notes in August 2001, and the sales of Softbank common stock in December 1999, January 2000 and March 2002.

One of our ongoing objectives is to improve the use of working capital and put assets to work through increasing inventory turns and steady management of vendor payables and customer receivables. In this regard, and in combination with the lower volume of business, we reduced our overall debt level in the second quarter of 2002 compared to December 29, 2001 and June 30, 2001, thereby lowering our overall debt-to-capitalization ratio, including off-balance sheet debt related to our accounts receivable financing programs, to 23.6% at June 29, 2002 compared to 26.7% and 28.2% at December 29, 2001 and June 30, 2001, respectively. Although we have realized significant improvements in working capital management and debt reduction over the last several quarters and as we continue to strive for further improvements, no assurance can be made that we will be able to maintain our current debt levels. The following is a detailed discussion of our cash flows for the first six months of 2002 and 2001.

Net cash provided by operating activities was $336.4 million in the first six months of 2002 compared to $9.0 million in the first six months of 2001. The significant increase in cash provided by operating activities in the first six months of 2002 was primarily attributable to a greater reduction in net working capital during the first six months of 2002 compared to the first six months of 2001. This was the result of our continued focus on working capital management and the lower volume of business in the first six months of 2002 compared to the first six months of 2001.

Net cash used by investing activities was $5.5 million in the first six months of 2002 compared to $44.6 million in the first six months of 2001. The net cash used by investing activities in the first six months of 2002 was primarily attributable to capital expenditures of approximately $32.8 million, partially offset by the proceeds of approximately $31.8 million from the sale of Softbank common stock. The net cash used by investing activities in the first six months of 2001 was primarily due to capital expenditures of approximately $43.0 million.

Net cash used by financing activities was $131.5 million in the first six months of 2002 compared to $0.8 million in the first six months of 2001. Net cash used by financing activities in the first six months of 2002 primarily resulted from the net repayments of our revolving credit and other debt facilities primarily through cash provided by operations, continued focus on working capital management and the lower volume of business. Net cash used by financing activities in the first six months of 2001 primarily consisted of approximately $225.0 million used to repurchase convertible debentures offset by proceeds from revolving credit facilities and other debt.

**Management's Discussion and Analysis Continued**

*Capital Resources*

Our cash and cash equivalents totaled $477.2 million and $273.1 million at June 29, 2002 and December 29, 2001, respectively.

In March 2000, we entered into a revolving five-year accounts receivable securitization financing program in the U.S., which provides for the issuance of up to $700 million in commercial paper. In connection with this program, most of our U.S. trade accounts receivable are transferred without recourse to a trust, in exchange for a beneficial interest in the total pool of trade receivables. The trust has issued fixed-rate, medium-term certificates and has the ability to support a commercial paper program through the issuance of undivided interests in the pool of trade receivables to third parties. Sales of undivided interests to third parties under this program result in a reduction of total accounts receivable in our consolidated balance sheet. The excess of the trade accounts receivable transferred over amounts sold to and held by third parties at any one point in time represents our retained interest in the transferred accounts receivable and is shown in our consolidated balance sheet as a separate caption under accounts receivable. At June 29, 2002 and December 29, 2001, the amount of undivided interests sold to and held by third parties under this U.S. program totaled $65.0 million and $80.0 million, respectively.

We also have other revolving facilities relating to accounts receivable in Europe and Canada, which provide up to approximately $265 million of additional financing capacity. Under these programs, $108.6 million and $142.3 million of trade accounts receivable were sold to and held by third parties at June 29, 2002 and December 29, 2001, respectively, resulting in a further reduction of trade accounts receivable in our consolidated balance sheet.

The aggregate amount of trade accounts receivable sold to and held by third parties under the U.S., European and Canadian programs, or off-balance sheet debt, as of June 29, 2002 and December 29, 2001 totaled $173.6 million and $222.3 million, respectively. This decrease reflects our lower financing needs as a result of our lower volume of business and improvements in working capital management. The decrease in amounts sold to and held by third parties resulted in an increase in our retained interests in securitized receivables, partially offset by an overall decrease in receivables resulting from the lower volume of business. We believe that available funding under our accounts receivable financing programs provides us increased flexibility to make incremental investments in strategic growth initiatives and to manage working capital requirements. Our financing capacity under these programs is dependent upon the level of our trade accounts receivable that may be sold through the accounts receivable financing programs. However, we believe that there are sufficient trade accounts receivable to support our anticipated financing needs under the U.S., European and Canadian accounts receivable financing programs.

As is customary in trade accounts receivable securitization arrangements, credit ratings downgrading of the third party issuer of commercial paper or a back-up liquidity provider (which provides a source of funding if the commercial paper market cannot be accessed) could result in an adverse change or loss of our financing capacity under these programs if the commercial paper issuer and/or liquidity back-up provider is not replaced. Loss of such financing capacity could have a material adverse effect on our financial condition and results of operations. However, based on our assessment of the duration of these programs, the history and strength of the financial partners involved, other historical data, and the remoteness of such contingencies, we believe it is unlikely that any of these risks will materialize in the near term.

On August 16, 2001, we sold $200 million of 9.875% senior subordinated notes due 2008 at an issue price of 99.382%, resulting in net cash proceeds of approximately $195.1 million, net of issuance costs of approximately $3.7 million. Under the terms of these notes, we are required to comply with certain restrictive covenants, including restrictions on the incurrence of additional indebtedness, the amount of dividends we can pay and the amount of capital stock we can repurchase (see Note 7 to consolidated financial statements for further discussion of the terms for redemption).

**Management's Discussion and Analysis Continued**

On August 16, 2001, we also entered into interest rate swap agreements with two financial institutions, the effect of which was to swap our fixed rate obligation on our senior subordinated notes for a floating rate obligation equal to 90-day LIBOR plus 4.260%. All other financial terms of the interest rate swap agreements are identical to those of the senior subordinated notes, except for the quarterly payments of interest, which will be on February 15, May 15, August 15 and November 15 in each year, commencing on November 15, 2001 and ending on the termination date of the swap agreements. These interest rate swap arrangements contain ratings conditions requiring more frequent posting of collateral and at minimum increments if our credit ratings decline to certain set levels (for example, the ratings condition is triggered if our S&P rating declines to "B" or below or our Moody's rating declines to "B2" or below). At June 29, 2002 and December 29, 2001, the marked-to-market value of the interest rate swap represented an asset of $11.8 million and $6.1 million, respectively, which was recorded in other assets with an offsetting adjustment to the hedged debt, increasing the total carrying value of the senior subordinated notes to $210.7 million and $204.9 million, respectively.

Effective June 28, 2002, we entered into a three-year revolving secured credit facility for approximately $105 million with a financial institution that has an arrangement with a third party issuer of commercial paper. The facility requires certain commitment fees, and borrowings under the facility incur financing costs at rates indexed to LIBOR. Our ability to access financing under this facility is dependent upon the level of trade accounts receivable of one of our European subsidiaries and the availability and level of market demand for commercial paper. If the third party issuer is unable to issue commercial paper, or the credit ratings of the issuer or the financial institution are downgraded, we could lose access to financing under this program. We had no outstanding borrowings under this facility as of June 29, 2002.

We and our subsidiaries outside of North America also have various lines of credit, commercial paper, short-term overdraft facilities and other senior credit facilities with various financial institutions worldwide, which provide for borrowing capacity aggregating approximately $551 million and $585 million at June 29, 2002 and December 29, 2001, respectively. Most of these arrangements are on an uncommitted basis and are reviewed periodically for renewal. At June 29, 2002 and December 29, 2001, we had borrowings of $125.1 million and $250.8 million, respectively, outstanding under these facilities.

We have a $500 million revolving senior credit facility with a bank syndicate, which expires in October 2002. Under this senior credit facility, we are required to comply with certain financial covenants, including minimum tangible net worth, restrictions on funded debt and interest coverage. This senior credit facility also restricts the amount of dividends we can pay as well as the amount of common stock that we can repurchase annually. At June 29, 2002 and December 29, 2001, we had $0 and $2.0 million, respectively, of borrowings under this credit facility. In addition, up to 25% of the facility may be used to support letters of credit. At June 29, 2002, letters of credit totaling approximately $110 million had been issued under this facility to certain vendors to support purchases by our subsidiaries. We continue to evaluate our long-range financing requirements, including other alternatives to this senior credit facility; however, we offer no assurance that we will be able to access capital on terms acceptable to us, or replace the full amount of this expiring credit facility with other financing.

On June 9, 1998, we sold $1.3 billion aggregate principal amount at maturity of our zero coupon convertible senior debentures due 2018. Gross proceeds from the offering were $460.4 million, which represented a yield to maturity of 5.375% per annum. At both June 29, 2002 and December 29, 2001, our remaining convertible debentures had an outstanding balance of $0.4 million and were convertible into approximately 5,000 shares of our Class A Common Stock.

Proceeds from stock option exercises provide us an additional source of cash. For the first six months of 2002 and 2001, cash proceeds from the exercise of stock options totaled $8.7 million and $8.5 million, respectively.

We have recorded deferred tax liabilities totaling $120.6 million and $118.2 million at June 29, 2002 and December 29, 2001, respectively, associated with realized gains on our sales of Softbank common stock (see Note 9 to consolidated financial statements). We cannot currently determine when or if these taxes will ultimately be paid. However, we believe that we will be able to fund any such taxes with our available sources of liquidity.

In spite of the tightening of terms and availability of credit to business in general, we believe that our existing sources of liquidity, including cash resources and cash provided by operating activities, supplemented as necessary with funds available under our credit arrangements, will provide sufficient resources to meet our present and future working capital and cash requirements for at least the next twelve months.

**Management's Discussion and Analysis Continued**

*Capital Expenditures*

We presently expect to spend approximately $100 million to $120 million in fiscal 2002 for capital expenditures.

**New Accounting Standards**

See Note 10 to consolidated financial statements.

**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 our current expectations that involve certain risks, including, without limitation:

- intense competition in North America and internationally, including the decision of certain vendors to increase their amount of direct sales;
- failure to adjust costs in a timely fashion in response to a sudden decrease in demand;
- continued pricing and margin pressures;
- the severe downturn in economic conditions (particularly purchases of technology products) may continue or worsen;
- the potential for declines in inventory values and continued restrictive vendor terms and conditions;
- significant credit loss resulting from significant credit exposure to reseller customers and negative trends in their businesses;
- dependence on key individuals and inability to retain personnel;
- disruptions and expenses caused by reorganization activities;
- difficulties and risks associated with integrating operations and personnel in acquisitions;
- failure of information systems;
- unavailability of adequate capital;
- interest rate and foreign currency fluctuations;
- inability to manage future adverse industry trends;
- the potential termination of a supply agreement with a major supplier;
- product supply shortages;
- rapid product improvement and technological change and resulting obsolescence risks;
- the potential decline as well as seasonal variations in demand for our products and services;
- adverse impact of governmental controls and actions and political or economic instability on foreign operations;
- changes in local, regional, and global economic conditions and practices;
- dependence on independent shipping companies and risks relating to increased shipping costs and/or interruption of service from strikes or other labor issues; and
- future terrorist or military actions.

We have instituted in the past and continue to institute changes to our strategies, operations and processes to address these risk factors and to mitigate their impact on our results of operations and financial condition. However, no assurances can be given that we will be successful in these efforts. For a further discussion of these and other significant factors to consider in connection with forward-looking statements concerning us, reference is made to Exhibit 99.01 of our Annual Report on Form 10-K for the year ended December 29, 2001. Other risks or uncertainties may be detailed from time to time in our future SEC filings.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes for the six-month period ended June 29, 2002. For a further discussion of the quantitative and qualitative disclosures about market risk, reference is made to our Annual Report on Form 10-K for the year ended December 29, 2001.

## 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 the Shareowners was held on May 30, 2002.

b) The election of two directors was submitted for a vote at the Annual Meeting. The following table lists the individuals and the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes for each such individual elected to the Board of Directors for a term of three years set to expire at the annual meeting of shareowners in 2005.

| Nominee | | Number of Votes |
|---|---|---|
| Kent B. Foster | For | 118,591,065 |
| | Withheld/Against | 14,714,744 |
| | Abstentions | 0 |
| | Broker Non-Votes | 0 |
| Martha R. Ingram | For | 130,620,534 |
| | Withheld/Against | 2,685,275 |
| | Abstentions | 0 |
| | Broker Non-Votes | 0 |

c) Also at the Annual Meeting, our shareowners approved the Ingram Micro Inc. Executive Incentive Plan. The following table lists the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes.

| Item | | Number of Votes |
|---|---|---|
| Ingram Micro Inc. Executive Incentive Plan | For | 116,390,223 |
| | Withheld/Against | 2,118,475 |
| | Abstentions | 586,179 |
| | Broker Non-Votes | 14,210,932 |

### Item 5. Other Information

Not applicable.

Table of Contents

**Item 6. Exhibits and Reports on Form 8-K**

a) Exhibits

| No. | Description |
|---|---|
| 3.02 | Amended and Restated Bylaws of Ingram Micro Inc. (as of May 30, 2002) |
| 10.43 | Amendment No. 3 to the Board Representation Agreement |
| 10.44 | Ingram Micro Inc. Executive Incentive Plan |

b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K on April 26, 2002 in connection with the issuance of its press release announcing financial results for the quarter ended March 30, 2002.

**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/ Thomas A. Madden

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

August 13, 2002

EXHIBIT 3.02

# AMENDED AND RESTATED

# BYLAWS OF

# INGRAM MICRO INC.

(AS OF MAY 30, 2002)

* * * * *

## ARTICLE I

## OFFICES

SECTION 1. REGISTERED OFFICE. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

SECTION 2. OTHER OFFICES. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

SECTION 3. BOOKS. The books of the Corporation may be kept within or without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

## ARTICLE II

## MEETINGS OF STOCKHOLDERS

SECTION 1. TIME AND PLACE OF MEETINGS. All meetings of stockholders shall be held at such place, either within or without the State of Delaware, on such date and at such time as may be determined from time to time by the Board of Directors (or the chief executive officer in the absence of a designation by the Board of Directors).

SECTION 2. ANNUAL MEETINGS. Annual meetings of stockholders shall be held to elect the Board of Directors and transact such other business as may properly be brought before the meeting.

SECTION 3. SPECIAL MEETINGS. Special meetings of stockholders may be called by the Board of Directors or the chairman of the Board of Directors and shall be called by the secretary at the request in writing of stockholders having at least ten percent of the outstanding voting power of the Corporation. Such request shall state the purpose or purposes of the proposed meeting.

SECTION 4. NOTICE OF MEETINGS AND ADJOURNED MEETINGS; WAIVERS OF NOTICE. (a) Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended ("DELAWARE LAW"), such notice shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. Unless these Bylaws otherwise require, when a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken; provided that if the adjournment is for more than 30 days, or after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

(b) A written waiver of any such notice signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 5. QUORUM. Unless otherwise provided under the certificate of incorporation or these Bylaws and subject to Delaware Law, the presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote generally, shall constitute a quorum for the transaction of business at any meeting of the stockholders; provided that in the case of any vote to be taken by classes, the holders of a majority of the votes entitled to be cast by the stockholders of a particular class shall constitute a quorum for the transaction of business by such class.

SECTION 6. VOTING. (a) Unless otherwise provided by Delaware Law or by the certificate of incorporation, each stockholder of record of any class or series of capital stock of the Corporation shall be entitled to such number of votes for each share of such stock as may be fixed in the certificate of incorporation or in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such stock.

(b) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to a corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

(c) Unless otherwise provided by Delaware Law, the certificate of incorporation or these Bylaws, the affirmative vote of shares of capital stock of the Corporation representing a majority of the outstanding voting power of the Corporation present, in person or by proxy, at a meeting of stockholders and entitled to vote on the subject matter shall be the act of the stockholders.

SECTION 7. ACTION BY CONSENT. (a) Unless otherwise provided in the certificate of incorporation, any action required to be taken at any special meeting of stockholders, or any action which may be taken at any special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding capital stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

(b) Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered to the Corporation in the manner required by this Section 7 of Article II and Delaware Law, written consents signed by a sufficient number of holders to take action are delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

SECTION 8. ORGANIZATION. At each meeting of stockholders, the chairman of the Board of Directors, if one shall have been elected (or in his absence or if one shall not have been elected, the chief executive officer), shall act as chairman of the meeting. The secretary (or in his absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting) shall act as secretary of the meeting and keep the minutes thereof.

SECTION 9. ORDER OF BUSINESS. The order of business at all meetings of stockholders shall be as determined by the chairman of the meeting.

## ARTICLE III

## DIRECTORS

SECTION 1. GENERAL POWERS. Except as otherwise provided in Delaware Law or the certificate of incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. Each member of the Board of Directors, and all committees of the Board of Directors, shall have at all times full access to the books and records of the Corporation and all minutes of stockholder, Board of Directors and committee meetings, proceedings and actions. Each member of the Board of Directors shall have the right to add items to any agenda for a meeting of the Board of Directors.

SECTION 2. NUMBER, ELECTION AND TERM OF OFFICE. The number of directors which shall constitute the whole Board of Directors shall be fixed from time to time by resolution of the Board of Directors but shall in no event be less than eight nor more than ten. At a time when eight directors comprise the Board of Directors, the Board of Directors may be expanded up to ten members, in accordance with Delaware Law and the certificate of incorporation, by the affirmative vote of a majority of the eight or nine directors, as the case may be. Such ninth and tenth directors shall be Independent, as provided in Section 3(a)(iii) of this Article III and shall be nominated by a majority of the Nominating Committee. After the initial qualification and election of such ninth and tenth directors as set forth in this Section 2 of Article III, any vacancy created by the death, disability, resignation or removal of such director shall be filled pursuant to Section 13 of this Article III. Except as provided in this Section 2 or Section 13 of this Article III, directors shall be elected at annual meetings of the stockholders in accordance with the schedule set forth in Article Eighth(c) of the Corporation's certificate of incorporation and in accordance with Delaware Law, and each director so elected shall hold office for a term as set forth in Article Eighth(c) of the Corporation's certificate of incorporate.

SECTION 3. QUALIFICATIONS. (a) Directors shall possess the following qualifications: (i) three individuals who are designated by the Family Stockholders, as hereinafter defined, and who need not be Independent, as hereinafter defined, and may be Family Stockholders (the "FAMILY DIRECTORS"); (ii) one individual who is designated by the chief executive officer of the Corporation, who need not be Independent and who may be the chief executive officer of the Corporation (the "MANAGEMENT DIRECTOR"); and (iii) four (in the case of a Board of Directors consisting of eight directors), five (in the case of a Board of Directors consisting of nine directors) or six (in the case of a Board of Directors consisting of ten directors) individuals, as the case may be from time to time, who shall be Independent (the "INDEPENDENT DIRECTORS"). Directors need not be stockholders.

(b)(i) As used in these Bylaws, "INDEPENDENT" means an individual other than an executive officer or other employee of the Corporation or Martha R. Ingram, her descendants (including adopted persons and their descendants) and their respective spouses.

(ii) As used in these Bylaws, FROM AND AFTER THE DATE OF THESE BYLAWS, "FAMILY STOCKHOLDERS" means the following and all of their Permitted Transferees (as hereinafter defined):

- QTIP Marital Trust created under the E. Bronson Ingram Revocable Trust Agreement dated January 4, 1995
- Martha R. Ingram
- Orrin H. Ingram, II
- John R. Ingram
- E. Bronson Ingram 1995 Charitable Remainder 5% Unitrust
- E. Bronson Ingram 1994 Charitable Lead Annuity Trust
- Martha and Bronson Ingram Foundation

- Trust for Orrin Henry Ingram, II, under Agreement with Hortense B. Ingram dated December 22, 1975

- The Orrin H. Ingram Irrevocable Trust dated July 9, 1992

- Trust for the Benefit of Orrin H. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended

- Orrin and Sara Ingram Family 1997 Generation Skipping Trust

- Trust for John Rivers Ingram, under Agreement with Hortense B. Ingram dated December 22, 1975

- The John R. Ingram Irrevocable Trust dated July 9, 1992

- Trust for the Benefit of John R. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended

- The John and Stephanie Ingram Family 1996 Generation Skipping Trust

- The John Rivers Ingram Annuity Trust 2000

- The John Rivers Ingram Annuity Trust 2001

(iii) As used in these Bylaws, from and after the date of these Bylaws, "PERMITTED TRANSFEREE" means, with respect to any Family Stockholder, including any Approving Family Stockholder, as hereinafter defined, any of the other Family Stockholders or any of their respective spouses, descendants (including adopted persons and their descendants), estates, affiliates or any trust or other entities for the benefit of any of the foregoing persons, and beneficiaries of the QTIP Marital Trust created under the E. Bronson Ingram Revocable Trust Agreement dated January 4, 1995 upon the death of Martha R. Ingram, whether the transfer occurs voluntarily during life or at death, whether by appointment, will or intestate descent or distribution; provided that any individual or entity that has been removed as a Family Stockholder pursuant to any amendment to that certain Board Representation Agreement between the Corporation and certain other persons signatory thereto dated November 6, 1996, as amended from time to time (the "Board Representation Agreement"), shall not be deemed a Permitted Transferee. Without limiting the generality of the foregoing, transfers from the QTIP Marital Trust created under the E. Bronson Ingram Revocable Trust Agreement dated January 4, 1995 to the Martha and Bronson Ingram Foundation shall be deemed to be transfers to a Permitted Transferee.

SECTION 4. QUORUM AND MANNER OF ACTING. (a) Unless the certificate of incorporation or these Bylaws require a greater number, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business, and the affirmative vote of a majority of the entire Board of Directors shall be the act of the Board of Directors.

(b) When a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Board of Directors may transact any business which might have been transacted at the original meeting. If a quorum shall not be present at any meeting of the Board of Directors the directors present thereat may adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 5. TIME AND PLACE OF MEETINGS. The Board of Directors shall hold its meetings at such place, either within or without the State of Delaware, and at such time as may be determined from time to time by the Board of Directors (or the chief executive officer in the absence of a determination by the Board of Directors).

SECTION 6. ANNUAL MEETING. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders and, if practicable, on the same day and at the same place where such annual meeting shall be held. Notice of such meeting need not be given. In the event such annual meeting is not so held, the annual meeting of the Board of Directors may be held at such place either within or without the State of Delaware, on such date and at such time as shall be specified in a notice thereof given as hereinafter provided in Section 8 of this Article III or in a waiver of notice thereof signed by any director who chooses to waive the requirement of notice.

SECTION 7. REGULAR MEETINGS. After the place and time of regular meetings of the Board of Directors shall have been determined and notice thereof shall have been once given to each member of the Board of Directors, regular meetings may be held without further notice being given.

SECTION 8. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the chief executive officer and shall be called by the secretary on the written request of three directors. Notice of special meetings of the Board of Directors shall be given to each director at least three days before the date of the meeting in such manner as is determined by the Board of Directors.

SECTION 9. COMMITTEES. (a) The Board of Directors shall have at least four committees with the designations, qualifications, powers and composition set forth in this Section 9 of Article III, which four committees shall be: (i) an Executive and Finance Committee, (ii) a Governance Committee, (iii) a Human Resources Committee, and (iv) an Audit Committee. All committees of the Board of Directors shall act by a majority vote of the entire number of directors which constitute any such committee.

(b) The Executive and Finance Committee shall consist of three directors, one of whom shall be a Family Director, one of whom shall be the Management Director and one of whom shall be an Independent Director. During the period of time between each regularly scheduled meeting of the Board of Directors, management decisions requiring the immediate attention of the Board of Directors may be made by the Executive and Finance Committee; provided, however, that the Executive and Finance Committee shall not have the authority to approve any of the following items, all of which require the approval of the Board of Directors: (i) any action that would require approval pursuant to Article V of these Bylaws or that would require approval of a majority of the outstanding voting power held by the stockholders entitled to vote thereon at any annual or special meeting under applicable law or under the certificate of incorporation or Bylaws of the Corporation (provided, however, that subject to applicable law, the Board of Directors shall be entitled to delegate to the Executive Committee the authority to negotiate and finalize actions, the general terms of which have been approved by the Board of Directors); (ii) any acquisition with a total aggregate consideration in excess of 2% of the Corporation's stockholders' equity calculated in accordance with generally accepted accounting principles for the most recent fiscal quarter for which financial information is available (after taking into account the amount of any indebtedness to be assumed or discharged by the Corporation or any of its subsidiaries and any amounts required to be contributed, invested or borrowed by the Corporation or any of its subsidiaries); (iii) any action outside of the ordinary course of business of the Corporation; or (iv) any other action involving a material shift in policy or business strategy for the Corporation. Subject to the foregoing, the Executive and Finance Committee shall be governed by the provisions of the Corporation's Executive and Finance Committee Charter, as approved by the Board of Directors from time to time.

(c) The Governance Committee shall consist of three directors, one of whom shall be a Family Director and one of whom shall be an Independent Director. The third Committee member shall be a Family Director if requested by a majority of the Family Directors and otherwise shall be an Independent Director. All nominations of persons for election to the Board of Directors shall be made by the Governance Committee, and the Governance Committee shall recommend for the approval of the Board of Directors the directors to serve on the Board committees, in each case pursuant to the qualification requirements set forth in Section 3 of this Article III. The Governance Committee shall fulfill such other roles, with respect to the filling of vacancies and otherwise, as are set forth in these Bylaws and shall by governed by the provisions of the Corporation's Governance Committee Charter, as approved by the Board of Directors from time to time.

(d) The Human Resources Committee shall consist of three directors, one of whom shall be a Family Director, and two of whom shall be Independent Directors. The Human Resources Committee shall establish the compensation of all executive officers of the Corporation and shall administer all stock option, purchase and equity incentive plans. In addition, it shall annually prepare a report to stockholders for inclusion in the Corporation's proxy statement for its annual meeting of stockholders covering the matters required by the Securities and Exchange Commission. The Human Resources Committee shall be governed by the provisions of the Corporation's Human Resources Committee Charter, as approved by the Board of Directors from time to time.

(e) The Audit Committee shall consist of at least three directors, all of whom shall be Independent Directors. The Audit Committee shall have the primary responsibility to: (i) recommend to the Board of Directors the firm to be employed by the Corporation as its independent auditor, (ii) consult with the independent auditors with regard to the plan of audit, (iii) review (in consultation with the independent auditors) the report of audit or proposed report and the accompanying management letter of the independent auditors, (iv) consult with the independent auditors periodically, as appropriate, out of the presence of management, with regard to the adequacy of the internal controls and, if need be, to consult also with the internal auditors, and (v) annually prepare a report to stockholders for inclusion in the Corporation's proxy statement for its annual meeting of stockholders covering the matters required by the Securities and Exchange Commission. The Audit Committee shall be governed by the provisions of the Corporation's Audit Committee Charter, as approved by the Board of Directors from time to time.

(f) No committee of the Board of Directors shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, amending the Bylaws of the Corporation, or authorizing any action required pursuant to these Bylaws to be authorized or approved by a majority of the entire Board of Directors; and unless the resolution of the Board of Directors, the certificate of incorporation or these Bylaws expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of capital stock by the Corporation. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

(g) The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more additional committees, each such committee to consist of one or more directors of the Corporation. Any such additional committee, to the extent provided in the resolution of the Board of Directors and subject to Section 9(f) of this Article III, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Notwithstanding the foregoing, no committee designated by the Board of Directors pursuant to this Section 9(g) shall have powers or authority which conflict with or impinge or encroach upon the powers and authority granted to the committees designated in Sections 9(b), 9(c), 9(d) or 9(e) of this Article III.

SECTION 10. ACTION BY CONSENT. Unless otherwise restricted by the certificate of incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

SECTION 11. TELEPHONIC MEETINGS. Unless otherwise restricted by the certificate of incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

SECTION 12. RESIGNATION. Any director may resign at any time by giving written notice to the Board of Directors or to the secretary of the Corporation. The resignation of any director shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 13. VACANCIES. Unless otherwise provided in the certificate of incorporation, if, as a result of the death, disability, resignation or removal of a director, a vacancy is created on the Board of Directors, the vacancy shall be filled in the following manner with individuals with the following qualifications: (a) if the vacancy resulted from the death, disability, resignation or removal of a Family Director, the vacancy shall be filled by a person qualifying to be a Family Director as designated by a majority of the remaining Family Directors; (b) if the vacancy resulted from the death, disability, resignation or removal of the Management Director, the vacancy shall be filled by a person qualifying to be a Management Director as designated by the chief executive officer of the Corporation; and (c) if the vacancy resulted from the death, disability, resignation or removal of an Independent Director, the vacancy shall be filled by a person qualifying to be an Independent Director nominated by the Governance Committee and approved by a majority of the entire Board of Directors then in office. If there are no Family Directors in office (in the case of filling a vacancy previously held by a Family Director), then an election of directors may be held in accordance with these Bylaws and Delaware Law.

Unless otherwise provided in the certificate of incorporation, a vacancy created on the Board of Directors as a result of the increase in the number of directors to seven, eight or nine as provided in Section 2 of this Article III may be filled in each case in a manner consistent with the provisions of Sections 2, 3 and 13 of this Article III.

SECTION 14. REMOVAL. Any director or the entire Board of Directors may be removed, with or without cause, at any time by the affirmative vote of the holders of a majority of the outstanding voting power of all of the shares of capital stock of the Corporation then entitled to vote generally for the election of directors, voting together as a single class, and the vacancies thus created shall be filled in accordance with Section 13 of this Article III. A Committee member shall be subject to removal from his or her position as a Committee member by the affirmative vote of a majority of the entire Board of Directors, and the vacancy thus created shall be filled in accordance with Sections 9 and 13 of this Article III.

SECTION 15. COMPENSATION. Unless otherwise restricted by the certificate of incorporation or these Bylaws, the Board of Directors shall have authority to fix the compensation of directors, including fees and reimbursement of expenses.

## ARTICLE IV

## OFFICERS

SECTION 1. PRINCIPAL OFFICERS. The principal officers of the Corporation shall be a chief executive officer who shall have the power, among other things, to appoint regional officers of the Corporation, a president, one or more vice presidents, a treasurer and a secretary who shall have the duty, among other things, to record the proceedings of the meetings of stockholders and directors in a book kept for that purpose. The Corporation may also have such other principal officers, including a chairman, a vice chairman or one or more controllers, as the Board of Directors may in its discretion appoint. One person may hold the offices and perform the duties of any two or more of said offices, except that no one person shall hold the offices and perform the duties of president and secretary.

SECTION 2. ELECTION AND TERM OF OFFICE. The principal officers of the Corporation shall be elected annually by the Board of Directors at the annual meeting thereof. Each such officer shall hold office until his successor is elected and qualified, or until his earlier death, disability, resignation or removal. Any vacancy in any office shall be filled in such manner as the Board of Directors shall determine.

SECTION 3. SUBORDINATE OFFICERS. In addition to the principal officers enumerated in Section 1 of this Article IV, the Corporation may have one or more assistant treasurers, assistant secretaries and assistant controllers and such other subordinate officers, agents and employees as the Board of Directors may deem necessary, each of whom shall hold office for such period as the Board of Directors may from time to time determine. The Board of Directors may delegate to any principal officer the power to appoint and to remove any such subordinate officers, agents or employees.

SECTION 4. REMOVAL. Except as otherwise permitted with respect to subordinate officers, any officer may be removed, with or without cause, at any time, by the Board of Directors.

SECTION 5. RESIGNATIONS. Any officer may resign at any time by giving written notice to the Board of Directors (or to a principal officer if the Board of Directors has delegated to such principal officer the power to appoint and to remove such officer). The resignation of any officer shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6. POWERS AND DUTIES. The officers of the Corporation shall have such powers and perform such duties incident to each of their respective offices and such other duties as may from time to time be conferred upon or assigned to them by the Board of Directors.

## ARTICLE V

## ACTIONS REQUIRING CONSENT OF APPROVING FAMILY STOCKHOLDERS

SECTION 1. DEFINITIONS. As used in these Bylaws, the following terms shall have the meanings specified below:

(a) "APPROVING FAMILY STOCKHOLDERS" means the following and all of their Permitted Transferees:

- QTIP Marital Trust created under the E. Bronson Ingram Revocable Trust Agreement dated January 4, 1995

- Martha R. Ingram

- Orrin H. Ingram, II

- John R. Ingram

- E. Bronson Ingram 1995 Charitable Remainder 5% Unitrust

- Martha and Bronson Ingram Foundation

- Trust for Orrin Henry Ingram, II, under Agreement with Hortense B. Ingram dated December 22, 1975

- The Orrin H. Ingram Irrevocable Trust dated July 9, 1992

- Trust for the Benefit of Orrin H. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended

- Orrin and Sara Ingram Family 1997 Generation Skipping Trust

- Trust for John Rivers Ingram, under Agreement with Hortense B. Ingram dated December 22, 1975

- The John R. Ingram Irrevocable Trust dated July 9, 1992

- Trust for the Benefit of John R. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended

- The John and Stephanie Ingram Family 1996 Generation Skipping Trust

- The John Rivers Ingram Annuity Trust 2000

- The John Rivers Ingram Annuity Trust 2001

(b) "APPROVING VOTING POWER" means, as of any date, the number of votes able to be cast pursuant to this Article V by the Approving Family Stockholders. With respect to any vote pursuant to this Article V, and as of any given date, each Approving Family Stockholder shall be entitled to cast a number of votes equal to (i) the Outstanding Voting Power, as hereinafter defined, of all capital stock of the Corporation owned of record by such Approving Family Stockholder, plus (ii) the attributed voting power set forth in Section 1(c) of this Article V.

(c) (i) Orrin H. Ingram, II shall be attributed and entitled to cast a number of votes equal to fifty percent (50%) of the Outstanding Voting Power of all capital stock of the Corporation owned by the E. Bronson Ingram 1994 Charitable Lead Annuity Trust; and

(ii) John R. Ingram shall be attributed and entitled to cast a number of votes equal to fifty percent (50%) of the Outstanding Voting Power of all capital stock of the Corporation owned by the E. Bronson Ingram 1994 Charitable Lead Annuity Trust.

(d) "OUTSTANDING VOTING POWER" means, as of any date, the number of votes able to be cast for the election of directors represented by all the shares of common stock of the Corporation.

SECTION 2. SIGNIFICANT ACTIONS. (a) In addition to any vote required by applicable law or the certificate of incorporation, the following actions ("SIGNIFICANT ACTIONS") will not be taken by or on behalf of the Corporation without the written approval of Approving Family Stockholders, acting in their sole discretion, holding at least a majority of the Approving Voting Power held by all of the Approving Family Stockholders:

(i) any sale or other disposition or transfer of all or substantially all of the assets of the Corporation (considered together with its subsidiaries);

(ii) any merger, consolidation or share exchange involving the Corporation, other than mergers effected for administrative reasons of subsidiaries owned at least 90% by the Corporation which under applicable law can be effected without stockholder approval;

(iii) any issuance (or transfer from treasury) of additional equity, convertible securities, warrants or options with respect to the capital stock of the Corporation, or any of its subsidiaries, or the adoption of any additional equity plans by or on behalf of the Corporation or any of its subsidiaries except for (A) options granted or stock sold in the ordinary course of business pursuant to plans approved by the Approving Family Stockholders or adopted prior to the initial public offering of the Corporation's capital stock, and (B) the issuance of capital stock of the Corporation valued at Fair Market Value, as hereinafter defined, in acquisitions as to which no approval is required under subsection (iv) of this Section 2 of Article V or as to which approval has been obtained under subsection (iv) of this Section 2 of Article V;

(iv) any acquisition by or on behalf of the Corporation or one of its subsidiaries involving a total aggregate consideration in excess of 10% of the Corporation's stockholders' equity calculated in accordance with generally accepted accounting principles for the most recent fiscal quarter for which financial information is available (after taking into account the amount of any indebtedness for borrowed money to be assumed or discharged by the Corporation or any of its subsidiaries and any amounts required to be contributed, invested or borrowed by the Corporation or any of its subsidiaries if such contribution, investment or borrowing is reasonably contemplated by the Corporation to be necessary within 12 months after the date of the acquisition);

(v) any guarantee of indebtedness of an entity other than a subsidiary of the Corporation exceeding 5% of the Corporation's stockholders' equity calculated in accordance with generally accepted accounting principles for the most recent fiscal quarter for which financial information is available;

(vi) incurrence of indebtedness by the Corporation after the consummation of the initial public offering of the Corporation's capital stock (other than indebtedness incurred after the initial public offering of the Corporation which renews or replaces a previously existing facility so long as the aggregate amount of indebtedness is not increased) in a transaction which could be reasonably expected to reduce the Corporation's investment rating lower than one grade below the ratings of the Corporation by Moody's Investors Service ("Moody's"), Fitch Investors Service, L.P. ("Fitch") or Standard & Poor's Rating Group ("Standard & Poor's") immediately following the initial public offering, but in any event incurrence of indebtedness by the Corporation after the consummation of the initial public offering which could be reasonably expected to reduce such investment rating lower than Baa by Moody's; BBB- by Fitch; or BBB- by Standard & Poor's; and

(vii) any other transaction having substantially the same effect as a transaction described in clauses (i) through (vi) of this Section 2(a) of Article V.

(b) As used in Section 2(a)(iii) of this Article V, "FAIR MARKET VALUE" means with respect to the capital stock of the Corporation, as of any given date or dates, the reported closing price of a share of such class of capital stock on such exchange or market as is the principal trading market for such class of capital stock. If such class of capital stock is not traded on an exchange or principal trading market on such date, the Fair Market Value of a share of the capital stock of the Corporation shall be determined by the Board of Directors in good faith taking into account as appropriate the recent sales of the capital stock of the Corporation, recent valuations of the capital stock of the Corporation, the lack of liquidity of the capital stock of the Corporation, the fact that certain shares of the capital stock of the Corporation may represent a minority interest and such other factors as the Board of Directors shall in its discretion deem relevant or appropriate.

## ARTICLE VI

## GENERAL PROVISIONS

SECTION 1. FIXING THE RECORD DATE. (a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by Delaware Law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by Delaware Law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 2. DIVIDENDS. Subject to limitations contained in Delaware Law and the certificate of incorporation, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, in property or in shares of the capital stock of the Corporation.

SECTION 3. FISCAL YEAR. The fiscal year of the Corporation shall commence on the day following the end of the preceding fiscal year of the Corporation and end on the Saturday nearest December 31 of each year.

SECTION 4. CORPORATE SEAL. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

SECTION 5. VOTING OF STOCK OWNED BY THE CORPORATION. The Board of Directors may authorize any person, on behalf of the Corporation, to attend, vote at and grant proxies to be used at any meeting of stockholders of any corporation (except this Corporation) in which the Corporation may hold stock.

SECTION 6. AMENDMENTS. (a) So long as the Family Stockholders and their Permitted Transferees together hold beneficially at least 25,000,000 shares of the capital stock of the

Corporation (as such number is equitably adjusted to reflect stock splits, stock dividends, recapitalizations or other transactions in the capital stock of the Corporation) (i) the stockholders may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, only by the affirmative vote of 75% of the votes entitled to be cast thereon at any annual or special meeting and (ii) the Board of Directors may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, only by the affirmative vote of three-quarters (3/4) of the members of the entire Board of Directors.

(b) Beginning on the first date on which the Family Stockholders and their Permitted Transferees together hold beneficially less than 25,000,000 shares of the capital stock of the Corporation (as such number is equitably adjusted to reflect stock splits, stock dividends, recapitalizations or other transactions in the capital stock of the Corporation) (i) the stockholders may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, by the affirmative vote of a majority of the votes entitled to be cast thereon at any annual or special meeting and (ii) the Board of Directors may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, by the affirmative vote of a majority of the members of the entire Board of Directors.

(c) Notwithstanding paragraphs (a) and (b) of this Section 6 of Article VI, if the Board Representation Agreement shall be adjudicated to be void or terminated and of no further force and effect by the final, non-appealable order of a court of competent jurisdiction or shall be terminated and made to be of no further force and effect by the unanimous, written consent of the Family Stockholders and their Permitted Transferees then holding stock of the Corporation, beginning on the date such final order becomes non-appealable or the date such unanimous, written consent is delivered to the Secretary of the Corporation, as the case may be, (i) the stockholders may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, by the affirmative vote of a majority of the votes entitled to be cast thereon at any annual or special meeting and (ii) the Board of Directors may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, by the affirmative vote of a majority of the members of the entire Board of Directors.

**EXHIBIT 10.43**

## AMENDMENT NO. 3 TO BOARD REPRESENTATION AGREEMENT

This AMENDMENT NO. 3 TO BOARD REPRESENTATION AGREEMENT dated as of May 30, 2002 is by and among Ingram Micro Inc., a Delaware corporation ("**Micro**"), and each person listed on the signature pages hereof, and amends that certain Board Representation Agreement dated as of November 6, 1996 and amended as of June 1, 2001 and March 12, 2002 (the "**Board Representation Agreement**").

**WITNESSETH:**

WHEREAS, the parties hereto desire to amend the Board Representation Agreement to reflect amendments to Micro's bylaws;

NOW, THEREFORE, the parties hereto agree as follows:

**SECTION 1. Amendment to Section 2.2**. Section 2.2 of the Board Representation Agreement is hereby deleted and replaced with the following text:

**"Section 2.2 Qualifications of Directors; Subsequent Nominations of Directors.**

(a) **Composition and Qualifications of the Board.** The Family Stockholders agree to vote their shares of Micro Common Shares to cause the Board, from and after the date of this Agreement and until their successors are duly elected and qualified in accordance with law and the terms of this Agreement, to consist of the chief executive officer of Micro, three individuals named by the Family Stockholders and who may be Family Stockholders, and four individuals who shall be Independent and who shall have been approved by the Family Stockholders. All subsequent nominations of persons for election to the Board contained in proxy soliciting material distributed on behalf of Micro during the term of this Agreement will be made by the Board upon the recommendation of the Governance Committee, and all persons proposed to fill vacancies on the Board shall in each case be consistent with the provisions of Micro's bylaws which shall provide the following qualifications for directors:

(i) Three individuals who are designated by the Family Stockholders and who need not be Independent and may be Family Stockholders (the "Family Directors");

(ii) One individual who is designated by the chief executive officer of Micro, who need not be Independent and who may be the chief executive officer of Micro (the "Management Director"); and

(iii) Four (in the case of a Board consisting of eight directors), five (in the case of a Board consisting of nine directors) or six (in the case of a Board consisting of ten directors) individuals, as the case may be from time to time, who shall be Independent (the "Independent Directors").

(b) **Addition of Ninth or Tenth Director.** After the election and qualification of the eight directors as set forth in Section 2.2 above, the Board may be expanded to nine or ten directors by the affirmative vote of a majority of such eight or nine directors, as the case may be. Such ninth or tenth director shall have the qualifications of being nominated, or elected if permitted by law and Micro's bylaws, by a majority of the Board upon the recommendation of the Governance Committee and shall be Independent. After the initial qualification and election of such ninth or tenth director as set forth in this Section 2.2(b), any vacancy created by the death, resignation or removal of such director shall be filled pursuant to Section 2.3 below."

**SECTION 2. Amendment to Section 2.3.** Section 2.3 of the Board Representation Agreement is hereby deleted and replaced with the following text:

**"SECTION 2.3 Filling of Vacancies.** The bylaws of Micro shall provide that if, as a result of the death, resignation or removal of a director, a vacancy is created on the Board, the vacancy shall be filled in the following manner with individuals with the following qualifications: (a) if the vacancy resulted from the death, resignation or removal of a Family Director, the vacancy shall be filled by vote of a majority of the remaining Family Directors; (b) if the vacancy resulted from the death, resignation or removal of the Management Director, the vacancy shall be filled by a person qualifying to be a Management Director as designated by the chief executive officer of Micro; and (c) if the vacancy resulted from the death, resignation or removal of an Independent Director, the vacancy shall be filled by a person qualifying to be an Independent Director nominated by the Governance Committee and approved by a majority of the entire Board then in office."

**SECTION 3. Amendment to Section 2.4.** Section 2.4 of the Board Representation Agreement is hereby deleted and replaced with the following text:

**"SECTION 2.4 Committees.**

(a) **General.** The bylaws of Micro shall provide for the designation, qualification and composition of the Board committees as set forth below and shall provide that all committees shall act by vote of the majority of the entire number of directors which constitute the committee.

(i) **Governance Committee.** The Governance Committee shall consist of three directors, one of whom shall be a Family Director and one of whom shall be an Independent Director. The third Committee member shall be a Family Director if requested by a majority of the Family Directors and otherwise shall be an Independent Director.

(ii) **Executive and Finance Committee.** The Executive and Finance Committee shall consist of three directors, one of whom shall be a Family Director, one of whom shall be the Management Director and one of whom shall be an Independent Director.

(iii) **Human Resources Committee.** The Human Resources Committee shall consist of three directors, one of whom shall be a Family Director, and two of whom shall be Independent Directors. The Human Resources Committee shall establish the compensation of all executive officers of Micro and shall administer all stock option, purchase and equity incentive plans.

(iv) **Audit Committee.** The Audit Committee shall consist of at least three directors, all of whom shall be Independent Directors.

(b) **Selection and Removal of Committee Members.** The bylaws shall provide that the Governance Committee shall recommend to the Board the directors to serve on the Board Committees and shall direct the Governance Committee to follow the qualification requirements set forth in Sections 2.2 and 2.4(a). Committee members shall be determined by the vote of a majority of the members of the Board. A Committee member shall be subject to removal from his or her position as a Committee member by the vote of a majority of the members of the Board."

**SECTION 4. Governing Law.** This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the conflicts of laws rules of such state.

**SECTION 5. Counterparts.** This Amendment may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

INGRAM MICRO INC.

By: /s/ Kent B. Foster

Name: KENT B. FOSTER
Title: Chairman of the Board

/s/ Martha R. Ingram

MARTHA R. INGRAM

/s/ Orrin H. Ingram, II

ORRIN H. INGRAM, II

/s/ John R. Ingram

JOHN R. INGRAM

QTIP MARITAL TRUST CREATED UNDER THE E. BRONSON INGRAM REVOCABLE TRUST AGREEMENT DATED JANUARY 4, 1995

By: MARTHA R. INGRAM, ORRIN H. INGRAM, II AND JOHN R. INGRAM, as Co-Trustees

By: /s/ Martha R. Ingram

Name: Martha R. Ingram
Title: Co-Trustee

By: /s/ Orrin H. Ingram, II

Name: Orrin H. Ingram, II
Title: Co-Trustee

By: /s/ John R. Ingram

Name: John R. Ingram
Title: Co-Trustee

E. BRONSON INGRAM 1995 CHARITABLE REMAINDER 5% UNITRUST

By: MARTHA R. INGRAM, as Trustee

By: /s/ Martha R. Ingram

Name: Martha R. Ingram
Title: Trustee

MARTHA AND BRONSON INGRAM FOUNDATION

By: ORRIN H. INGRAM, II AND JOHN R. INGRAM, as Co-Trustees

By: /s/ Orrin H. Ingram, II

Name: Orrin H. Ingram, II
Title: Co-Trustee

By: /s/ John R. Ingram

Name: John R. Ingram
Title: Co-Trustee

E. BRONSON INGRAM 1994 CHARITABLE LEAD ANNUITY TRUST

By: ORRIN H. INGRAM, II AND JOHN R. INGRAM, as Co-Trustees

By: /s/ Orrin H. Ingram, II

Name: Orrin H. Ingram, II
Title: Co-Trustee

By: /s/ John R. Ingram

Name: John R. Ingram
Title: Co-Trustee

TRUST FOR ORRIN HENRY INGRAM, II, UNDER AGREEMENT WITH HORTENSE B. INGRAM DATED DECEMBER 22, 1975

By: SUNTRUST BANK, ATLANTA, as Trustee

By: /s/ Thomas A. Shank, Jr.

Name: Thomas A. Shank, Jr.
Title: First Vice President

THE ORRIN H. INGRAM IRREVOCABLE TRUST DATED JULY 9, 1992

By: SUNTRUST BANK, ATLANTA, AND WILLIAM S. JONES, as Co-Trustees

By: /s/ Thomas A. Shank, Jr.

Name: Thomas A. Shank, Jr.
Title: First Vice President

By: /s/ William S. Jones

Name: William S. Jones
Title: Co-Trustee

TRUST FOR THE BENEFIT OF ORRIN H. INGRAM ESTABLISHED BY MARTHA R. RIVERS UNDER AN AGREEMENT OF TRUST ORIGINALLY DATED APRIL 30, 1982, AS AMENDED

By: SUNTRUST BANK, ATLANTA, AND WILLIAM S. JONES, as Co-Trustees

By: /s/ Thomas A. Shank, Jr.

Name: Thomas A. Shank, Jr.
Title: First Vice President

By: /s/ William S. Jones

Name: William S. Jones
Title: Co-Trustee

ORRIN AND SARA INGRAM FAMILY 1997
GENERATION SKIPPING TRUST

By: WILLIAM S. JONES, as Trustee

By: /s/ William S. Jones

Name: William S. Jones
Title: Trustee

TRUST FOR JOHN RIVERS INGRAM, UNDER AGREEMENT WITH HORTENSE B. INGRAM DATED DECEMBER 22, 1975

By: SUNTRUST BANK, ATLANTA, as Trustee

By: /s/ Thomas A. Shank, Jr.

Name: Thomas A. Shank, Jr.
Title: First Vice President

THE JOHN R. INGRAM IRREVOCABLE TRUST DATED JULY 9, 1992

By: SUNTRUST BANK, ATLANTA, AND WILLIAM S. JONES, as Co-Trustees

By: /s/ Thomas A. Shank, Jr.

Name: Thomas A. Shank, Jr.
Title: First Vice President

By: /s/ William S. Jones

Name: William S. Jones
Title: Co-Trustee

TRUST FOR THE BENEFIT OF JOHN R. INGRAM ESTABLISHED BY MARTHA R. RIVERS UNDER AN AGREEMENT OF TRUST ORIGINALLY DATED APRIL 30, 1982, AS AMENDED

By: SUNTRUST BANK, ATLANTA, AND WILLIAM S. JONES, as Co-Trustees

By: /s/ Thomas A. Shank, Jr.

Name: Thomas A. Shank, Jr.
Title: First Vice President

By: /s/ William S. Jones

Name: William S. Jones
Title: Co-Trustee

THE JOHN AND STEPHANIE INGRAM FAMILY
1996 GENERATION SKIPPING TRUST

By: WILLIAM S. JONES, as Trustee

By: /s/ William S. Jones

Name: William S. Jones
Title: Trustee

THE JOHN RIVERS INGRAM ANNUITY TRUST 2000

By: JOHN R. INGRAM, as Trustee

By: /s/ John R. Ingram

Name: John R. Ingram
Title: Trustee

THE JOHN RIVERS INGRAM ANNUITY TRUST 2001

By: JOHN R. INGRAM, as Trustee

By: /s/ John R. Ingram

Name: John R. Ingram
Title: Trustee

**EXHIBIT 10.44**

**INGRAM MICRO INC.**
**EXECUTIVE INCENTIVE PLAN**

1. **Purpose**. The principal purpose of the Ingram Micro Inc. Executive Incentive Plan (the "**Plan**") is to provide incentives to executive officers of Ingram Micro Inc. (the "**Company**") who have significant responsibility for the success and growth of the Company and to assist the Company in attracting, motivating and retaining executive officers on a competitive basis.

2. **Administration of the Plan**. The Plan shall be administered by the Human Resources Committee of the Board of Directors (the "**Committee**"). The Committee shall have the sole discretion to interpret the Plan; approve a pre-established objective performance measure or measures annually; certify the level to which each performance measure was attained prior to any payment under the Plan; approve the amount of awards made under the Plan; and determine who shall receive any payment under the Plan.

The Committee shall have full power and authority to administer and interpret the Plan and to adopt such rules, regulations and guidelines for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretations of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including the Company, its shareowners and any person receiving an award under the Plan.

3. **Eligibility**. Executive officers and other key management personnel of the Company and its affiliates shall be eligible to receive awards under the Plan, which awards are intended to qualify as performance-based awards for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "**Code**"). The Committee shall designate the executive officers and other key management personnel who will participate in the Plan each year.

4. **Awards**. The Committee shall establish annual and/or long-term incentive award targets for participants. If an individual becomes an executive officer during the year, such individual may be granted eligibility for an incentive award for that year upon such individual becoming an executive officer.

The Committee shall also establish annual and/or long-term performance targets, which must be achieved in order for an award to be earned under the Plan. Such targets shall be based on any one or more of the following: price of the Company's Class A Common Stock, shareowner return, return on equity, return on investment, return on capital, sales productivity, sales growth, economic profit, economic value added, net income, operating income, gross margin, sales, free cash flow, earnings per share, operating unit contribution, achievement of annual operating profit plans, debt level, market share or similar financial performance measures as may be determined by the Committee. The targets may be established on a cumulative basis or in the alternative, and may be established on a stand-alone basis with respect to the Company or any of its operating units, or on a relative basis with respect to any peer companies or index selected by the Committee.

These performance goals may be based on an analysis of historical performance and growth expectations for the business, financial results of other comparable businesses, and progress towards achieving the long-range strategic plan for the business. These performance goals and determination of results shall be based entirely on financial measures.

The specific performance targets for each participant shall be established in writing by the Committee within ninety days after the commencement of the fiscal year (or within such other time period as may be required by Section 162(m) of the Code) to which the performance target relates. The performance target shall be established in such a manner that a third party having knowledge of the relevant facts could determine whether the performance goal has been met.

Awards shall be payable following the completion of the applicable fiscal year upon certification by the Committee that the Company achieved the specified performance target established for the participant. Notwithstanding the attainment by the Company of the specified performance targets, the

Committee has the discretion, for each participant, to reduce some or all of an award that would otherwise be paid to such participant. However, in no event may a participant receive an award of more than $7,500,000 under the Plan in any fiscal year.

5. **Miscellaneous Provisions**. The Company shall have the right to deduct from all awards hereunder paid in cash any federal, state, local or foreign taxes required by law to be withheld with respect to such awards. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company. The costs and expenses of administering the Plan shall be borne by the Company and shall not be charged to any award or to any participant receiving an award.

The Plan is not the exclusive method pursuant to which the Company may establish or otherwise make available bonus or incentive payments to its executive officers and other key employees.

6. **Effective Date, Amendments and Termination**. The Plan shall become effective on February 12, 2002 subject to approval by the shareowners of the Company at its 2002 Annual Meeting of Shareowners. The Committee may at any time terminate or from time to time amend the Plan in whole or in part, but no such action shall adversely affect any rights or obligations with respect to any awards theretofore made under the Plan.

However, unless the shareowners of the Company shall have first approved thereof, no amendment of the Plan shall be effective which would increase the maximum amount which can be paid to any one executive officer under the Plan in any fiscal year, which would change the specified performance goals for payment of awards, or which would modify the requirement as to eligibility for participation in the Plan.