
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended October 4, 2003

Commission File #1-4224

Avnet, Inc.

Incorporated in New York

IRS Employer Identification No. 11-1890605

2211 South 47th Street, Phoenix, Arizona 85034

(480) 643-2000

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

The total number of shares outstanding of the registrant's Common Stock (net of treasury shares) as of November 1, 2003: 119,827,122 shares.

AVNET, INC. AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements with respect to the financial condition, results of operations and business of Avnet, Inc. and subsidiaries (“Avnet” or the “Company”). You can find many of these statements by looking for words like “believes,” “expects,” “anticipates,” “estimates” or similar expressions in this Report or in documents incorporated by reference in this Report.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include the following:

- Continuation or worsening of the current technology industry down-cycle, particularly the semiconductor sector, would adversely affect Avnet’s expected operating results.
- Competitive pressures among distributors of electronic components and computer products may increase significantly through entry of new competitors or otherwise.
- General economic or business conditions, domestic and foreign, may be less favorable than management expected, resulting in lower sales and declining operating results which can, in turn, impact the Company’s credit ratings, debt covenant compliance and liquidity, as well as the Company’s ability to maintain existing unsecured financing or to obtain new financing.
- Legislative or regulatory changes may adversely affect the businesses in which Avnet is engaged.
- Adverse changes may occur in the securities markets.
- Changes in interest rates and currency fluctuations may reduce Avnet’s profit margins.
- Avnet may be adversely affected by the allocation of products by suppliers.

Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by them. Management cautions you not to place undue reliance on these statements, which speak only as of the date of this Report.

Avnet does not undertake any obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	October 4, 2003	June 27, 2003
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 411,068	\$ 395,467
Receivables, less allowances of \$74,337 and \$84,042, respectively	1,534,868	1,471,806
Inventories	1,109,168	1,097,580
Other	152,966	161,237
Total current assets	3,208,070	3,126,090
Property, plant and equipment, net	232,913	250,412
Goodwill (Note 3)	859,095	857,110
Other assets	258,303	265,939
Total assets	\$4,558,381	\$4,499,551
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Borrowings due within one year (Note 4)	\$ 150,829	\$ 187,656
Accounts payable	927,693	802,039
Accrued expenses and other	296,152	316,355
Total current liabilities	1,374,674	1,306,050
Long-term debt, less due within one year (Note 4)	1,274,206	1,278,399
Other long-term liabilities	68,193	82,580
Total liabilities	2,717,073	2,667,029
Commitments and contingencies (Note 5)		
Shareholders' equity (Notes 6 and 7):		
Common stock \$1.00 par; authorized 300,000,000 shares; issued 119,634,000 shares and 119,555,000 shares, respectively	119,634	119,555
Additional paid-in capital	568,654	568,010
Retained earnings	1,030,533	1,041,892
Cumulative other comprehensive income (Note 7)	122,616	103,207
Treasury stock at cost, 9,776 shares and 11,532 shares, respectively	(129)	(142)
Total shareholders' equity	1,841,308	1,832,522
Total liabilities and shareholders' equity	\$4,558,381	\$4,499,551

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	First Quarters Ended	
	October 4, 2003	September 27, 2002
	(Thousands, except per share data)	
Sales	\$2,407,650	\$2,173,890
Cost of sales	2,098,553	1,876,271
Gross profit	309,097	297,619
Selling, general and administrative expenses	268,552	277,666
Restructuring and other charges (Note 11)	32,153	—
Operating income	8,392	19,953
Other income, net	2,303	5,938
Interest expense	(27,158)	(27,031)
Loss before income taxes	(16,463)	(1,140)
Income tax benefit	(5,104)	(652)
Net loss	\$ (11,359)	\$ (488)
Net loss per share (Note 8):		
Basic	\$ (0.09)	\$ —
Diluted	\$ (0.09)	\$ —
Shares used to compute loss per share (Note 8):		
Basic	119,597	119,420
Diluted	119,597	119,420

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	First Quarters Ended	
	October 4, 2003	September 27, 2002
	(Thousands)	
Cash flows from operating activities:		
Net loss	\$ (11,359)	\$ (488)
Non-cash and other reconciling items:		
Depreciation and amortization	18,406	24,837
Deferred taxes	(1,562)	(3,421)
Non-cash restructuring and other charges (Note 11)	14,830	—
Other, net (Note 9)	10,424	6,534
	30,739	27,462
Changes in (net of effects from businesses acquisitions and dispositions):		
Receivables	(58,431)	69,656
Inventories	(1,268)	139,338
Accounts payable	119,028	(76,364)
Accrued expenses and other, net	(33,008)	(16,092)
Net cash flows provided from operating activities	57,060	144,000
Cash flows from financing activities:		
Reduced drawings under accounts receivable securitization program (Note 4)	—	(100,000)
Repayment of notes (Note 4)	(40,859)	—
Proceeds from (repayment of) commercial paper and bank debt, net (Note 4)	3,621	(15,897)
Proceeds from other debt, net (Note 4)	32	656
Other, net	753	(5)
Net cash flows used for financing activities	(36,453)	(115,246)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(7,757)	(17,309)
Cash proceeds from sales of property, plant and equipment	1,052	5,542
Acquisitions of operations, net	(1,448)	(1,042)
Net cash flows used for investing activities	(8,153)	(12,809)
Effect of exchange rate changes on cash and cash equivalents	3,147	(1,970)
Cash and cash equivalents		
— increase	15,601	13,975
— at beginning of period	395,467	159,234
— at end of period	\$411,068	\$ 173,209

Additional cash flow information (Note 9)

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments necessary, all of which are of a normal recurring nature, except for the restructuring and other charges discussed in note 11, to present fairly the Company's financial position, results of operations and cash flows. For further information, refer to the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2003.

2. The results of operations for the first quarter ended October 4, 2003 are not necessarily indicative of the results to be expected for the full year. The Company operates on a "52/53 week" fiscal year and, as a result, the quarter ended October 4, 2003 contained fourteen weeks while the quarter ended September 27, 2002 contained thirteen weeks.

3. Goodwill:

The following table presents the carrying amount of goodwill, by reportable segment, for the quarter ending October 4, 2003:

	Electronics Marketing	Technology Solutions	Total
		(Thousands)	
Carrying value at June 27, 2003	\$601,236	\$255,874	\$857,110
Additions	1,448	—	1,448
Other	117	420	537
Carrying value at October 4, 2003	\$602,801	\$256,294	\$859,095

The "Other" caption above primarily represents the impact of changes in foreign currency exchange rates on goodwill denominated in currencies other than U.S. dollars.

4. External financing:

Short-term debt consists of the following:

	October 4, 2003	June 27, 2003
	(Thousands)	
Bank credit facilities	\$ 16,156	\$ 11,834
4.5% Convertible Notes due September 1, 2004	3,031	3,031
6.45% Notes due August 15, 2003	—	40,859
8.20% Notes due October 17, 2003	29,944	29,944
6 7/8% Notes due March 15, 2004	100,000	100,000
Other debt due within one year	1,698	1,988
Short-term debt	\$150,829	\$187,656

Bank credit facilities consist of various committed and uncommitted lines of credit with financial institutions utilized primarily to support the working capital requirements of foreign operations. The weighted average interest rates on the bank credit facilities at October 4, 2003 and June 27, 2003 were 3.6% and 4.7%, respectively.

The Company also has an accounts receivable securitization program (the "Program") with two financial institutions that allows the Company to sell, on a revolving basis, an undivided interest in up to \$350 million in eligible U.S. receivables to third party conduits, through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial statement purposes, while retaining a subordinated interest in a portion of the receivables. The Program, as amended in August 2003, extends through August 2005. As of October 4,

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2003 and June 27, 2003, the Company had no drawings outstanding under the Program and therefore there were no securitized accounts receivable held by the third party conduits.

Long-term debt consists of the following:

	October 4, 2003	June 27, 2003
	(Thousands)	
7 7/8% Notes due February 15, 2005	\$ 360,000	\$ 360,000
8.00% Notes due November 15, 2006	400,000	400,000
9 3/4% Notes due February 15, 2008	475,000	475,000
Other long-term debt	7,382	7,237
Subtotal	1,242,382	1,242,237
Fair value adjustment for hedged 8.00% and 9 3/4% Notes	31,824	36,162
Long-term debt	\$1,274,206	\$1,278,399

In February 2003, the Company used the proceeds of \$465,313,000, net of underwriting fees, from the issuance in that month of the Company's \$475,000,000 of 9 3/4% Notes due February 15, 2008 (the "9 3/4% Notes") to redeem \$159,141,000 of its 6.45% Notes due August 15, 2003 (the "6.45% Notes") and \$220,056,000 of its 8.20% Notes due October 17, 2003 (the "8.20% Notes"). The excess proceeds after these early redemptions were held in an escrow account to be used to repay the remaining principal on the 6.45% Notes and 8.20% Notes at their respective maturity dates plus interest due through their maturities. During the quarter ended October 4, 2003, the remaining principal plus interest due through maturity on the 6.45% Notes was paid out of this escrow account. At October 4, 2003, cash and cash equivalents include \$36,511,000 of cash restricted and held in the escrow account for repayment of the remaining 8.20% Notes outstanding plus accrued interest through their October 17, 2003 maturity date. At June 27, 2003, the balance in this escrow account was \$78,543,000.

As of June 27, 2003, the Company had a multi-year credit facility with a syndicate of banks led by Bank of America that provided up to \$350,000,000 in financing that was to mature on October 25, 2004. At June 27, 2003 and during the quarter ended October 4, 2003, there were no outstanding balances under the multi-year credit facility. Because the Company did not expect to draw on the facility prior to its October 2004 expiration, the Company terminated the facility on September 8, 2003. The Company wrote-off the remaining unamortized deferred loan costs associated with this facility, which amounted to \$4,514,000 as of the date the facility was terminated (see Note 11).

The Company has two interest rate swaps with a total notional amount of \$400,000,000 in order to hedge the change in fair value of the 8.00% Notes due November 2006 (the "8% Notes") related to fluctuations in interest rates. These contracts are classified as fair value hedges and mature in November 2006. The interest rate swaps modify the Company's interest rate exposure by effectively converting the fixed rate on the 8% Notes to a floating rate (4.1% at October 4, 2003) based on three-month U.S. LIBOR plus a spread through their maturities. In July 2003, the Company entered into three additional interest rate swaps with a total notional amount of \$300,000,000 in order to hedge the change in fair value of the 9 3/4% Notes related to fluctuations in interest rates. These hedges are also classified as fair value hedges and mature in February 2008. These interest rate swaps modify the Company's interest rate exposure by effectively converting the fixed rate on the 9 3/4% Notes to a floating rate (7.3% at October 4, 2003) based on three-month U.S. LIBOR plus a spread through their maturities. The hedged fixed rate debt and the interest rate swaps are adjusted to current market values through interest expense in the accompanying consolidated statements of operations. The Company accounts for the hedges using the shortcut method as defined under Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Hedging Activities." Due to the effectiveness of the hedges since inception, the market value adjustments for the hedged debt and the interest rate swaps directly offset one another. The fair value of the interest rate swaps at October 4, 2003 and June 27, 2003 was \$31,824,000 and \$36,162,000, respectively, and is included in other long-term assets in the accompanying consolidated balance sheets. Additionally, included in long-term debt is a comparable fair value adjustment increasing the total liability by these same amounts.

5. From time to time, the Company may become liable with respect to pending and threatened litigation, tax, environmental and other matters. The Company has been designated a potentially responsible party or has become aware of other potential claims against it in connection with environmental clean-ups at several sites. Based upon the information known to date, the Company believes that it has appropriately reserved for its share of the costs of the clean-ups and it is not anticipated that any contingent matters will have a material adverse impact on the Company's financial condition, liquidity or results of operations.

In connection with the Company's January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI, the Company entered into a share purchase agreement with the sellers that called for an additional payment of cash or common stock of the Company if the Company's share price does not reach \$45.25 per share by January 2004. This guarantee would result in an additional payment to the sellers of approximately \$65,200,000 based upon the Company's stock price as of October 4, 2003.

6. Number of shares of common stock reserved for stock option and stock incentive programs as of October 4, 2003: 11,801,485

The Company follows Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees," in accounting for its stock-based compensation plans. In applying APB 25, no expense was recognized for options granted under the various stock option plans as the options granted during the periods presented had exercise prices equal to the market value of the underlying stock on the date of the grants. Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — An Amendment of FASB Statement No. 123," requires certain disclosure of the pro forma impact on net income (loss) and earnings (loss) per share as if a fair value-based method of measuring stock-based compensation, as defined by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," had been applied.

Reported and pro forma net loss and loss per share are as follows:

	First Quarters Ended	
	October 4, 2003	September 27, 2002
	(Thousands, except per share data)	
Net loss, as reported	\$ (11,359)	\$ (488)
Less: Fair value impact of employee stock compensation, net of tax	(3,508)	(2,935)
Pro forma net loss	<u>\$ (14,867)</u>	<u>\$ (3,423)</u>
Earnings (loss) per share		
Basic and diluted — as reported	<u>\$ (0.09)</u>	<u>\$ —</u>
Basic and diluted — pro forma	<u>\$ (0.12)</u>	<u>\$ (0.03)</u>

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

7. Comprehensive income (loss):

	First Quarters Ended	
	October 4, 2003	September 27, 2002
	(Thousands)	
Net loss	\$(11,359)	\$ (488)
Foreign currency translation adjustments	19,409	(11,518)
Total comprehensive income (loss)	\$ 8,050	\$(12,006)

8. Loss per share:

	First Quarters Ended	
	October 4, 2003	September 27, 2002
	(Thousands, except per share data)	
Numerator:		
Net loss	\$ (11,359)	\$ (488)
Denominator:		
Weighted average common shares for basic loss per share	119,597	119,420
Net effect of dilutive stock options and restricted stock awards	—	—
Weighted average common shares for diluted loss per share	119,597	119,420
Basic and diluted loss per share:		
Net loss per basic and diluted share	\$ (0.09)	\$ —

The 4.5% convertible notes are excluded from the computation of loss per share in each quarter presented as the effects were antidilutive. The effects of certain stock options and restricted stock awards are also excluded from the determination of the weighted average common shares for diluted loss per share in each of the quarters presented as the effects were antidilutive. Accordingly, in the quarters ended October 4, 2003 and September 27, 2002, respectively, the effects of approximately 11,438,000 and 11,326,000 shares related to stock options and restricted stock awards are excluded from the computation above, of which approximately 9,509,000 and 9,121,000 related to options for which the exercise prices were greater than the average market price of the Company's common stock.

9. Additional cash flow information:

Other non-cash and other reconciling items primarily include the provision for doubtful accounts.

Interest and income taxes paid (refunded) in the first quarters were as follows:

	First Quarters Ended	
	October 4, 2003	September 27, 2002
	(Thousands)	
Interest	\$44,824	\$29,667
Income taxes	6,034	(315)

10. Segment information:

During the first quarter of fiscal 2004, the Company combined its Computer Marketing ("CM") and Applied Computing ("AC") operating groups into one computer products and services business called

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Technology Solutions (“TS”). The combination is part of the Company’s continued efforts to strengthen its market leadership position, streamline the business and further leverage cost synergies resulting from this combination. In light of the similarities of the logistics operations and related functions of CM and AC, the rationalization of certain of the units’ operating facilities, equipment and processes is expected to yield significant cost savings while also stimulating new market opportunities for the combined group by selling from a broader, shared line card of products and services to the customers that are now served by the one, larger business unit.

As a result of the formation of TS, Electronics Marketing (“EM”) and TS are the overall segments upon which management primarily evaluated the operations of the Company and upon which it based its operating decisions during the first quarter of fiscal 2004. Therefore, the segment data below reflects the two segments subsequent to the formation of TS. Data for the first quarter of fiscal 2003 and as of June 27, 2003 has been restated to present segment data on a consistent basis with the current quarter.

	Quarters Ended	
	October 4, 2003	September 27, 2002
	(Thousands)	
Sales:		
Electronics Marketing	\$1,357,968	\$1,241,766
Technology Solutions	1,049,682	932,124
	<u>\$2,407,650</u>	<u>\$2,173,890</u>
Operating income (loss):		
Electronics Marketing	\$ 33,409	\$ 14,681
Technology Solutions	18,275	10,425
Corporate	(11,139)	(5,153)
	<u>40,545</u>	<u>19,953</u>
Restructuring and other charges (Note 11)	(32,153)	—
	<u>\$ 8,392</u>	<u>\$ 19,953</u>
Sales, by geographic area:		
Americas	\$1,292,180	\$1,273,109
EMEA	770,395	689,217
Asia/ Pacific	345,075	211,564
	<u>\$2,407,650</u>	<u>\$2,173,890</u>

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	October 4, 2003	June 27, 2003
	(Thousands)	
Assets:		
Electronics Marketing	\$2,942,390	\$2,928,794
Technology Solutions	1,202,206	1,174,297
Corporate	413,785	396,460
	<u>\$4,558,381</u>	<u>\$4,499,551</u>
Assets, by geographic area:		
Americas	\$2,629,984	\$2,616,632
EMEA	1,497,479	1,461,270
Asia/ Pacific	430,918	421,649
	<u>\$4,558,381</u>	<u>\$4,499,551</u>

The Company manages its business based upon the operating results of its two operating groups before restructuring and other charges (see Note 11). During the first quarter of fiscal 2004, the approximate unallocated pre-tax restructuring and other charges related to EM and TS were \$16,171,000 and \$9,936,000, respectively. The remaining restructuring and other charges recorded during the first quarter of fiscal 2004 relate to corporate activities.

11. Restructuring and other charges:

During the first quarter of fiscal 2004, the Company executed certain restructuring and cost-cutting initiatives in order to improve profitability. These efforts represent a part of the Company's efforts to generate additional cost savings of approximately \$90,000,000 annually and can generally be broken into three categories: (1) the combination of CM and AC as discussed in Note 10; (2) the reorganization of the Company's global IT resources, which had previously been administered generally on a separate basis within each of the Company's operating groups; and (3) various other reductions within EM and certain centralized support functions. Management expects these efforts to result in additional charges in the range of approximately \$25,000,000 to \$35,000,000, which are expected to be mostly completed by the end of the third quarter of fiscal 2004.

As a result of actions completed through the end of the first quarter of fiscal 2004, the Company recorded restructuring and other charges totaling \$32,153,000 pre-tax, \$22,186,000 after tax, or \$0.18 per diluted share. The charge consisted of severance costs (\$9,393,000), charges related to consolidation of selected facilities (\$10,848,000), write-downs of certain capitalized IT-related initiatives (\$6,909,000) and other items, including the write-off of the remaining unamortized deferred loan costs associated with the Company's multi-year credit facility terminated in September 2003 as discussed in Note 4 (\$5,003,000).

Severance costs resulted from workforce reductions of approximately 400 personnel completed during the quarter, primarily in executive, support and other non-customer facing functions in the Americas and EMEA regions. Management also identified a number of facilities for consolidation primarily in the Americas and EMEA regions. These facilities generally related to certain logistics and warehousing operations as well as certain administrative facilities across both operating groups and at the corporate level. The charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in these facilities that have been vacated. Management also evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer met the Company's return on investment standards for continued use or development. These charges related to the write-off of capitalized hardware and software.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Of these charges, \$14,830,000 represented non-cash write-downs and \$17,323,000 require the use of cash, of which \$4,487,000 had been expended as of October 4, 2003. The unutilized portion of the first quarter charges relates to severance accruals, substantially all of which are scheduled to be utilized by the end of fiscal 2004, and contractual lease commitments, substantially all of which are scheduled to be utilized by the end of fiscal 2007.

The following table summarizes the Company's restructuring and other charge activity during the first quarter of fiscal 2004, during which there has been no material activity within the reserves other than payment and non-cash charge activity as detailed in "amounts utilized" in the table below:

	Severance Costs	Facility Exit Costs	IT-Related Costs	Other(1)	Total
			(Thousands)		
Balance at June 27, 2003	\$ 7,234	\$36,908	\$ 742	\$ 647	\$ 45,531
Fiscal 2004 activity	9,393	10,848	6,909	5,003	32,153
Amounts utilized	(8,344)	(8,801)	(7,270)	(4,729)	(29,144)
Other, principally foreign currency translation	165	373	6	—	544
Balance at October 4, 2003	\$ 8,448	\$39,328	\$ 387	\$ 921	\$ 49,084

- (1) Fiscal 2004 activity in the "other" column represents principally the write-off of the remaining unamortized deferred loan costs associated with the Company's multi-year credit facility terminated in September 2003 amounting to \$4,514,000.

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

For a description of the Company's critical accounting policies and an understanding of the significant factors that influenced the Company's performance during the quarters ended October 4, 2003 and September 27, 2002, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") should be read in conjunction with the consolidated financial statements, including the related notes, appearing in Item 1 of this Report as well as the Company's Annual Report on Form 10-K for the year ended June 27, 2003. The Company operates on a "52/53-week" fiscal year and, as a result, the quarter ended October 4, 2003 contained fourteen weeks while the quarter ended September 27, 2002 contained thirteen weeks. This extra week in the current quarter impacts many of the following discussions in this MD&A.

During the first quarter of fiscal 2004, the Company combined its Computer Marketing ("CM") and Applied Computing ("AC") operating groups into one group called Technology Solutions ("TS"), as described below. As a result of the formation of TS, Electronics Marketing ("EM") and TS are the overall segments upon which management primarily evaluated the operations of the Company and upon which it based its operating decisions during the first quarter of fiscal 2004. Therefore, the operating group analyses contained in this MD&A reflect the two segments subsequent to the formation of TS. Comparable data for prior periods has been restated to present segment data on a consistent basis with the current quarter.

OVERVIEW

Organization

Avnet, Inc. and its subsidiaries (the "Company" or "Avnet") is one of the world's largest industrial distributors, based on sales, of electronic components, enterprise network and computer equipment and embedded subsystems. Avnet creates a vital link in the technology supply chain that connects over 250 of the world's leading electronic and computer product manufacturers to a global customer base of over 100,000 original equipment manufacturers ("OEMs"), contract manufacturers, value-added resellers ("VARs") and end-users. Avnet distributes electronic components and computer products as received from its suppliers or with assembly or other value added by Avnet. Additionally, Avnet provides engineering design, materials management and logistics services, system integration and configuration, and supply chain advisory services.

The Company currently consists of two operating groups — Electronics Marketing ("EM") and Technology Solutions ("TS") — each with operations in the three major economic regions of the world: the Americas, EMEA (Europe, Middle East and Africa) and Asia. A brief summary of each operating group is provided below:

- EM markets and sells semiconductors, interconnect, passive and electromechanical devices, and radio frequency/microwave components. EM markets and sells its products to customers spread across end-markets including communications, computer hardware and peripheral, industrial and manufacturing, medical equipment, and military and aerospace. EM also offers an array of value-added services to its customers such as supply-chain management, engineering design, inventory replenishment systems, connector and cable assembly, and semiconductor programming.
- TS markets and sells mid-to high-end servers, data storage, software and networking solutions, and the services required to implement these solutions, to the VAR channel and enterprise computing customers. TS also focuses on the worldwide OEM market for computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services.

The combination of CM and AC into TS was part of the Company's continued efforts to strengthen its market leadership position, streamline the business and further leverage cost synergies resulting from this combination. In light of the similarities of the logistics operations and related functions of CM and AC, the consolidation of certain of the units' operating facilities, equipment and processes is expected to yield significant cost savings while also stimulating new market opportunities for the combined group by selling from a broader, shared line card of products and services to the customers that are now served by the one, larger business unit.

RESULTS OF OPERATIONS

Sales

The table below provides period sales for the Company and its operating groups:

Period Sales by Operating Group and Geography

	Q1-Fiscal '04	Q4-Fiscal '03	Sequential % Change	Q1-Fiscal '03	Year – Year % Change
(Dollars in thousands)					
Avnet, Inc.	\$2,407,650	\$2,187,419	10.1%	\$2,173,890	10.8%
EM	1,357,968	1,252,243	8.4%	1,241,766	9.4%
TS	1,049,682	935,176	12.2%	932,124	12.6%
EM					
Americas	\$ 586,705	\$ 550,574	6.6%	\$ 661,800	(11.3)%
EMEA	465,276	460,072	1.1%	394,001	18.1%
Asia	305,987	241,597	26.7%	185,965	64.5%
TS					
Americas	\$ 705,475	\$ 634,146	11.2%	\$ 611,309	15.4%
EMEA	305,119	242,520	25.8%	295,216	3.4%
Asia	39,088	58,510	(33.2)%	25,599	52.7%
Totals by Region					
Americas	\$1,292,180	\$1,184,720	9.1%	\$1,273,109	1.5%
EMEA	770,395	702,592	9.7%	689,217	11.8%
Asia	345,075	300,107	15.0%	211,564	63.1%

The electronic and computer products industry continued to be stable, with some potential signs of improvement in both EM and TS, during the first quarter of fiscal 2004. First quarter fiscal 2004 consolidated sales of \$2.41 billion were up \$233.8 million, or 10.8%, from the prior year first quarter consolidated sales of \$2.17 billion. Consolidated sales were also up sequentially by \$220.2 million, or 10.1%, when compared to the fourth quarter of fiscal 2003. First quarter fiscal 2004 represented Avnet's strongest first quarter sales performance since fiscal 2001. As noted above, the first quarter of fiscal 2004 contained an extra week when compared to the prior sequential and prior year first quarters. However, even allowing for a 4-6% increase in consolidated sales due to this extra week in what is otherwise typically a slow summer quarter, management believes the sequential increase of 10.1% reflects growing strength in Avnet's business. In addition, changes in foreign currency exchange rates positively impacted the reported results on a year-over-year basis (by approximately \$90 million).

EM sales of \$1.36 billion were up \$116.2 million, or 9.4%, over the prior year first quarter. EM first quarter sales were similarly up \$105.7 million, or 8.4%, over the prior sequential quarter. The largest contributor of this growth in EM has been the rapid growth of the Asia region. EM Asia sales of \$306.0 million represent a record sales volume for a quarter in that region for EM. These first quarter sales also represent the tenth consecutive quarter of sales growth for EM Asia. EM Asia's sales increased by 64.5% and 26.7% over the prior year first quarter and the prior sequential quarter, respectively. This growth in the Asia region is indicative of an ongoing trend that has seen technology manufacturing continue to shift to this region of the world, especially in the electronic component industry in which EM competes. Much of this shift has continued to come from the Americas, where EM's first quarter fiscal 2004 sales of \$586.7 million were down 11.3% from the prior year first quarter but up 6.6% from the prior sequential quarter. EM Americas has also continued to experience more competitive pricing than in the other regions of the world. EM EMEA sales of \$465.3 million were also up year-over-year by 18.1% and were relatively flat on a sequential basis, exhibiting a 1.1% increase over the prior sequential quarter.

Sales for the first quarter of fiscal 2004 in TS, which totaled \$1.05 billion, improved by \$117.6 million, or 12.6%, over the prior year first quarter and were up \$114.5 million, or 12.2%, over the fourth quarter of fiscal 2003. Sales growth in TS was fueled most notably by increased software sales and the Company's fiscal calendar as noted below. This trend is primarily driven by growth in the Americas, which consistently accounts for 65% or more of TS global sales. TS Americas sales of \$705.5 million were up 15.4% year-over-year and 11.2% sequentially. TS EMEA first quarter fiscal 2004 sales of \$305.1 million were up 3.4% year-over-year, accompanied by TS Asia first quarter fiscal 2004 sales of \$39.1 million increasing by 52.7% over the prior year first quarter. On a sequential basis, TS EMEA sales grew by 25.8% offset in part by a 33.2% sequential decline in TS Asia. The first fiscal quarter, which is typically a slow seasonal quarter for the TS business, also benefited from the timing of Avnet's fiscal quarter, which ended on October 4, 2003 as opposed to the prior sequential quarter, which ended on June 27, 2003. This allowed TS to effectively capture two quarter-ends for most of its customers, whose fiscal quarters predominantly ended on September 30, 2003 and June 30, 2003, respectively.

On an overall regional basis, Asia continues to play an increasing role in the sales performance of the Company as a whole accounting for 14.3% of consolidated sales in the first quarter of fiscal 2004 as compared to only 9.7% of consolidated sales in the prior year first quarter. Management believes that Avnet is well positioned to capitalize on the growth in this region, which is expected to continue, based on its already established position in the Asia region, and specifically the Peoples' Republic of China. As noted above, the growth trend in Asia has been essentially offset by a comparable decrease in the contribution of the Americas region to consolidated sales with the EMEA region remaining relatively flat year-over-year.

As a result of the growth of Avnet's foreign sales as a percentage of consolidated sales, Avnet's business is increasingly exposed to risks of operating internationally. Such risks include potential restrictions on transfer of funds, foreign currency fluctuations, import and export duties and value added taxes, import and export regulations that could erode profit margins or restrict exports, changing foreign tax laws and regulations, potential military conflicts, inflexible employee contracts in the event of business downturns and the burden and cost of compliance with foreign laws.

Gross Profit and Gross Profit Margins

Consolidated gross profit for the first quarter of fiscal 2004 was \$309.1 million, up \$11.5 million over the prior year first quarter. However, gross profit margins, which were 12.84% in the first quarter of fiscal 2004, declined by 85 basis points from 13.69% gross profit margins in the first quarter of fiscal 2003. This decline in gross profit margins was primarily attributable to three trends in Avnet's business: (1) mix of business among Avnet's operating groups; (2) mix of business within Avnet's operating groups; and (3) competitive pressures. More specifically, there continues to be a trend of shifting business mix among Avnet's operating groups with an increasing percentage of consolidated sales in TS, which increased from 42.9% of consolidated sales in the first quarter of fiscal 2003 to 43.6% of sales in the current quarter. The computer products sold by TS typically yield a lower margin than the component products sold by EM. The mix of business trends occurring within the operating groups include EM's increased contribution from the Asia region, which has historically yielded lower gross profit margins. However, EM Asia also has a lower operating cost structure than the Americas or EMEA which has resulted in operating profit margin improvement in this region over the past several years. The mix of business within Avnet's operating groups also affected gross profit margins this quarter. Specifically within TS, the recent trend has been an increased volume of software sales, which yield a lower margin than most other computer products (while also bearing a low cost of capital and thus making software sales an attractive market to the Company despite the lower margins). Finally, the Company experienced greater pricing pressure from competitors, particularly in EM Americas.

Management expects that with the perceived strengthening of the components markets that has begun to materialize in recent quarters, EM's higher margin revenues will soon start to constitute a larger portion of the Company's consolidated revenues which will, in turn, start to improve consolidated gross profit margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$268.6 million, or 11.2% of consolidated sales, in the first quarter of fiscal 2004 as compared with \$277.7 million, or 12.8% of consolidated sales in the prior year first quarter. The significant decrease in expenses as a percentage of sales in the current quarter is a result of the Company's ongoing cost reduction initiatives of recent years. The current quarter is only the second quarter in which the Company benefited fully from the restructuring efforts initiated in both the fourth quarter of fiscal 2002 and the second quarter of fiscal 2003. Furthermore, the Company's restructuring efforts in the first quarter of fiscal 2004, discussed in "Restructuring and Other Charges" below, also yielded expense reductions in the current quarter that will even more significantly impact the second quarter and thereafter.

The year-over-year decrease in selling, general and administrative expenses, on an absolute dollar basis and as a percentage of sales, would have been even more significant were it not for three additional factors. First, management estimates that the extra week in the current quarter resulted in approximately \$10 million of additional selling, general and administrative expenses. Second, the general weakening of the US Dollar in comparison to most foreign currencies, particularly the Euro (which strengthened against the US Dollar by over 16% in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003), has offset a portion of the impact of the significant actions the Company has taken to reduce costs and improve profitability. Finally, selling, general and administrative expenses in fiscal 2003 include the favorable impact from the resolution of certain purchase price contingencies associated with the Company's fiscal 2001 acquisition of the VEBA Group. This resolution resulted in a payment received from the seller of the VEBA Group during the prior year first quarter of approximately \$6.5 million, representing a refund of a portion of the amount paid at the closing of the acquisition. This refund was recorded as a reduction of selling, general and administrative expenses as the goodwill related to the VEBA Group had been written off as a result of the transition impairment test performed upon the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." The following table compares selling, general and administrative expenses for the first quarter of fiscal 2004 to the first quarter of fiscal 2003 as adjusted for these items:

	Q1 Fiscal 2004	Q1 Fiscal 2003
	(Thousands)	
Selling, general and administrative expenses, as reported	\$268,552	\$277,666
Pro forma adjustments:		
Impact of extra week in Q1 fiscal 2004	(10,000)	—
Adjust Q1 fiscal 2004 expenses to September 2003 exchange rates	(13,523)	—
Adjust Q1 fiscal 2003 expenses for VEBA purchase price refund	—	6,486
Selling, general and administrative expenses, pro forma	\$245,029	\$284,152

Restructuring and Other Charges

During the first quarter of fiscal 2004, the Company executed certain restructuring and cost-cutting initiatives in order to improve profitability. These efforts represent a part of the Company's efforts to generate additional cost savings of approximately \$90 million annually and can generally be broken into three categories: (1) the combination of CM and AC as discussed in "Organization"; (2) the reorganization of the Company's global IT resources, which had previously been administered generally on a separate basis within each of the Company's operating groups; and (3) various other reductions within EM and certain centralized support functions. Management expects these efforts to result in additional charges in the range of approximately \$25 million to \$35 million, which are expected to be mostly completed by the end of the third quarter of fiscal 2004.

As a result of actions completed through the end of the first quarter of fiscal 2004, the Company recorded restructuring and other charges totaling \$32.2 million pre-tax, \$22.2 million after tax, or \$0.18 per diluted share. The charge consisted of severance costs (\$9.4 million), charges related to consolidation of selected facilities (\$10.9 million), write-downs of certain capitalized IT-related initiatives (\$6.9 million) and other

items, including the write-off of the remaining unamortized deferred loan costs associated with the Company's multi-year credit facility terminated in September 2003 as discussed in "Financing Transactions" (\$5.0 million).

Severance costs resulted from workforce reductions of approximately 400 personnel completed during the quarter, primarily in executive, support and other non-customer facing functions in the Americas and EMEA regions. Management also identified a number of facilities for consolidation primarily in the Americas and EMEA regions. These facilities generally related to certain logistics and warehousing operations as well as certain administrative facilities across both operating groups and at the corporate level. The charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in these facilities that have been vacated. Management also evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer met the Company's return on investment standards for continued use or development. These charges related to the write-off of capitalized hardware and software.

Of these charges, \$14.8 million represented non-cash write-downs and \$17.4 million require the use of cash, of which \$4.5 million had been expended as of October 4, 2003. The unutilized portion of the first quarter charges relates to severance accruals, substantially all of which are scheduled to be utilized by the end of fiscal 2004, and contractual lease commitments, substantially all of which are scheduled to be utilized by the end of fiscal 2007.

Operating Income

As a result of the factors discussed in this MD&A, operating income in the first quarter of fiscal 2004 was \$8.4 million (0.3% of sales) as compared with \$20.0 million (0.9% of sales) in the prior year first quarter. These results were negatively impacted by certain charges recorded in the first quarter of fiscal 2004 (see "Restructuring and Other Charges"), which totaled \$32.2 million, or 1.3% of sales. EM improved its operating profit margin to 2.5% in the first quarter of fiscal 2004 as compared to 1.2% in the prior year first quarter and TS improved its operating profit margin to 1.7% in the current quarter as compared to 1.1% in the first quarter of fiscal 2003.

Interest Expense and Other Income, net

Interest expense was \$27.2 million in the first quarter of fiscal 2004, up slightly from \$27.0 million in the first quarter of fiscal 2003. This increase was primarily a result of the increased interest costs associated with the \$475 million of 9 3/4% Notes issued in February 2003. These bonds bear interest at a higher rate per annum than the 6.45% and 8.20% Notes that were partially redeemed with the proceeds from the 9 3/4% Notes offering (see "Financing Transactions" for further discussion). The Company entered into hedge contracts on a portion of the 9 3/4% Notes, which effectively converts these notes from a fixed rate to a US LIBOR variable rate plus a spread. The effective rate was significantly lower than 9 3/4% during the first quarter and the expected impact of this was a reduction in first quarter interest expense by approximately \$1.4 million. However, this decrease in interest expense was more than offset by the increase in interest expense that resulted from the additional week (fourteen weeks versus the normal thirteen) in the quarter due to the Company's fiscal calendar discussed above.

Other income, net, was \$2.3 million in the first quarter of fiscal 2004 as compared to \$5.9 million in the first quarter of fiscal 2003. The decrease in other income, net, was primarily a result of favorable foreign currency translation impacts during the first quarter of fiscal 2003.

Income Tax Benefit

The Company's effective tax rate on its loss before income taxes was 31.0% in the first quarter of 2004 as compared to 57.2% in the first quarter of fiscal 2003. The mix of profits globally at varying statutory rates impacts the Company's consolidated tax rate. Based on tax planning initiatives put in place over the past year as well as the Company's projected profit mix through the remainder of fiscal 2004, management anticipates the Company's effective tax rate will continue to be in the range of 30-35% for the remainder of the year.

Net Loss

As a result of the operational performance and other factors described in the preceding sections of this MD&A, the Company's consolidated net loss for the first quarter of fiscal 2004 was \$11.4 million (\$0.09 per share on a diluted basis) as compared to a net loss in the prior year first quarter of \$0.5 million (essentially breakeven on a per share basis). The first quarter of fiscal 2004 results included the negative after-tax impact of restructuring and other charges of \$22.2 million (\$0.18 per share on a diluted basis).

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

During the first quarter of fiscal 2004, the Company generated cash flow of \$30.7 million from operations before depreciation, amortization, deferred taxes and other non-cash items (primarily provision for doubtful accounts and non-cash restructuring and other charges discussed in "Restructuring and Other Charges" above). The Company also generated cash flow of \$26.4 million from reduction in working capital (excluding cash and cash equivalents), thus generating net cash flow from operating activities of \$57.1 million. The positive cash flow from working capital reductions was a result of the Company's continued efforts to improve its asset utilization and efficiency by reducing the net balance of trade receivables, inventory and accounts payable in a continued flat electronic components and computer products distribution industry. Management's efforts to reduce working capital were even more significant during prior years when the industry was still in a decline during the economic downturn that began mid-way through fiscal 2001. As a result, positive cash flow from working capital reductions in the first quarter of fiscal 2003 was higher at \$116.5 million.

In addition to net cash flows from operating activities in the first quarter of fiscal 2004, \$2.8 million was needed for what management considers other normal business operations, including purchases of property, plant and equipment (\$7.8 million), less cash proceeds from sales of property, plant and equipment (\$1.1 million) and cash generated from other items (\$3.9 million). As a result, the Company generated cash flows of \$54.3 million in net cash and cash equivalents from normal business operations during the first quarter of fiscal 2004. The Company also used \$1.4 million for acquisitions of operations during the first quarter of 2004 (primarily acquisitions of minority interests in a subsidiary purchased in a prior fiscal year). These combined net proceeds of \$52.9 million were used to repay debt balances, net, of \$37.3 million and to generate additional cash and cash equivalents of \$15.6 million during the first quarter of fiscal 2004.

Capital Structure and Contractual Obligations

The following table summarizes the Company's capital structure as of the end of the first quarter of fiscal 2004 with a comparison to fiscal 2003 year-end:

	October 4, 2003	June 27, 2003	% Change
(Dollars in thousands)			
Short-term debt	\$ 150,829	\$ 187,656	(19.6)%
Long-term debt	1,274,206	1,278,399	(0.3)
Total debt	1,425,035	1,466,055	(2.8)
Shareholders' equity	1,841,308	1,832,522	0.5
Total capitalization	\$3,266,343	\$3,298,577	(1.0)

Long-term debt in the above table includes the fair value adjustment of \$31.8 million and \$36.2 million at October 4, 2003 and June 27, 2003, respectively, for the hedged 8.00% and 9 3/4% Notes discussed in "Financing Transactions" below. For a description of the Company's long-term debt and lease commitments for the next five years and thereafter, see Long-Term Contractual Obligations appearing in Item 7 of the Company's Annual Report on Form 10-K for the year ended June 27, 2003. With the exception of pay downs of debt obligations discussed herein and regularly scheduled lease payments, there are no material changes to this information.

The Company also has an accounts receivable securitization program (the “Program”), discussed more fully in “Off-Balance Sheet Arrangements” below. There were no drawings under the Program at October 4, 2003 or June 27, 2003.

In connection with the Company’s January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI, the Company entered into a share purchase agreement with the sellers that called for an additional payment of cash or common stock of the Company if the Company’s share price does not reach \$45.25 per share by January 2004. This guarantee would result in an additional payment to the sellers of approximately \$65.2 million based upon the Company’s stock price as of October 4, 2003.

Financing Transactions

In February 2003, the Company used the proceeds of \$465.3 million, net of underwriting fees, from the issuance in that month of the Company’s \$475.0 million of 9 3/4% Notes due February 15, 2008 (the “9 3/4% Notes”) to redeem \$159.1 million of its 6.45% Notes due August 15, 2003 (the “6.45% Notes”) and \$220.1 million of its 8.20% Notes due October 17, 2003 (the “8.20% Notes”). The excess proceeds after these early redemptions were held in an escrow account to be used to repay the remaining principal on the 6.45% Notes and 8.20% Notes at their respective maturity dates plus interest due through their maturities. During the quarter ended October 4, 2003, the remaining principal plus interest due through maturity on the 6.45% Notes was paid out of this escrow account. At October 4, 2003, cash and cash equivalents include \$36.5 million of cash restricted and held in the escrow account for repayment of the remaining 8.20% Notes outstanding plus accrued interest through their October 17, 2003 maturity date. At June 27, 2003, the balance in this escrow account was \$78.5 million.

As of June 27, 2003, the Company had a multi-year credit facility with a syndicate of banks led by Bank of America that provided up to \$350.0 million in financing that was to mature on October 25, 2004. At June 27, 2003 and during the quarter ended October 4, 2003, there were no outstanding balances under the multi-year credit facility. Because the Company did not expect to draw on the facility prior to its October 2004 expiration and due to the availability under the Program, discussed further in “Off-Balance Sheet Arrangements” and “Liquidity Analysis” below, the Company terminated the facility on September 8, 2003. The Company wrote-off the remaining unamortized deferred loan costs associated with this facility, which amounted to \$4.5 million as of the date the facility was terminated.

The Company has two interest rate swaps with a total notional amount of \$400.0 million in order to hedge the change in fair value of the 8.00% Notes due November 2006 (the “8% Notes”) related to fluctuations in interest rates. These contracts are classified as fair value hedges and mature in November 2006. The interest rate swaps modify the Company’s interest rate exposure by effectively converting the fixed rate on the 8% Notes to a floating rate (4.1% at October 4, 2003) based on three-month U.S. LIBOR plus a spread through their maturities. In July 2003, the Company entered into three additional interest rate swaps with a total notional amount of \$300.0 million in order to hedge the change in fair value of the 9 3/4% Notes related to fluctuations in interest rates. These hedges are also classified as fair value hedges and mature in February 2008. These interest rate swaps modify the Company’s interest rate exposure by effectively converting the fixed rate on the 9 3/4% Notes to a floating rate (7.3% at October 4, 2003) based on three-month U.S. LIBOR plus a spread through their maturities. The hedged fixed rate debt and the interest rate swaps are adjusted to current market values through interest expense in the accompanying consolidated statements of operations. The Company accounts for the hedges using the shortcut method as defined under Statement of Financial Accounting Standards No. 133 “Accounting for Derivative Instruments and Hedging Activities,” as amended by Statement of Financial Accounting Standards No. 138, “Accounting for Certain Derivative Instruments and Hedging Activities.” Due to the effectiveness of the hedges since inception, the market value adjustments for the hedged debt and the interest rate swaps directly offset one another.

In addition to its primary financing arrangements, the Company has several small lines of credit in various locations to fund the short-term working capital, foreign exchange, overdraft and letter of credit needs of its wholly owned subsidiaries in Europe and Asia. Avnet generally guarantees its subsidiaries’ debt under these facilities.

Off-Balance Sheet Arrangements

The Company has an accounts receivable program (the “Program”) with two financial institutions whereby it may sell, on a revolving basis, an undivided interest in a pool of its trade accounts receivable. Under the Program, the Company may sell receivables in securitization transactions and retain a subordinated interest and servicing rights to those receivables. When receivables are sold under the Program, they are sold without legal recourse to third party conduits through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. The Program qualifies for sale treatment under Statement of Financial Accounting Standards No. 140, “Accounting for Transfer and Servicing of Financial Assets and Extinguishment of Liabilities.” The availability for financing under the Program is up to \$350 million and is dependent on the level of the Company’s trade receivables from month to month. There were no receivables sold under the Program at October 4, 2003 or June 27, 2003.

The purpose of the Program is to provide the Company with an additional source of liquidity at interest rates more favorable than it could receive through other forms of financing. The Program was amended in August 2003 to adjust certain minimum unsecured credit ratings that the Company must maintain in order to continue using the Program in its current form. These minimum credit rating triggers, as amended, are Ba3 by Moody’s Investor Services (“Moody’s”) and BB- by Standard & Poors (“S&P”). The August 2003 amendment also effectively extended the term of the Program to August 2005.

Covenants and Conditions

The Program contains certain covenants relating to the quality of the receivables sold under the Program in addition to the minimum unsecured credit rating triggers discussed in “Off-Balance Sheet Arrangements” above. If these conditions are not met, the Company may not be able to borrow any additional funds under the Program and the financial institutions generally have the right to accelerate any amounts outstanding. Circumstances that could affect the Company’s ability to meet the required covenants and conditions of the Program include the duration and depth of the current industry and economic downturn and the impact on profitability, perceived financial strength or weakness by credit rating agencies and various other economic, market and industry factors. The Company was in compliance with all covenants, including the minimum unsecured credit ratings triggers, for the Program at October 4, 2003.

See “Liquidity Analysis” for further discussion of the Company’s availability under its primary financing facilities.

Liquidity Analysis

Under its current financing arrangements discussed above, the Company had an aggregate of approximately \$350.0 million in additional borrowing capacity at October 4, 2003. The Company also had \$411.1 million of cash and cash equivalents at October 4, 2003, although \$36.5 million of that cash on hand was held in an escrow account that is restricted to repay the remaining principal and interest obligation on the 8.20% Notes as discussed in “Financing Transactions” above. Management believes its borrowing capacity, its current cash availability and its ability to generate cash from normal operations are sufficient to meet its projected working capital requirements and debt obligations maturing in the upcoming year.

The following table highlights the Company's liquidity and related ratios as of the end of the first quarter of fiscal 2004 with a comparison to the fiscal 2003 year-end:

Comparative Analysis — Liquidity

	October 4, 2003(1)	June 27, 2003(1)	% Chg
	(Dollars in millions)		
Current assets	\$3,208.1	\$3,126.1	2.6%
Quick assets	1,945.9	1,867.3	4.2
Current liabilities	1,374.7	1,306.1	5.3
Working capital	1,833.4	1,820.0	0.7
Total debt	1,425.0	1,466.1	(2.8)
Total capital	3,266.3	3,298.6	(1.0)
Quick ratio	1.4:1	1.4:1	
Working capital ratio	2.3:1	2.4:1	
Debt to total capital ratio	43.6%	44.4%	

- (1) Ratios that include cash and cash equivalents include \$36.5 million and \$78.5 million of restricted cash held in escrow at October 4, 2003 and June 27, 2003, respectively, to fund remaining principal and interest payments on notes redeemed early (see "Financing Transactions" for further discussion).

The Company's quick assets at October 4, 2003 totaled \$1.95 billion as compared to \$1.87 billion at June 27, 2003. This increase in quick assets is primarily a function of the increase in receivables driven by the sales growth during the current quarter and the timing of the Company's fiscal quarter-end falling after most customers' fiscal quarter-end, which predominantly falls on September 30. At October 4, 2003, quick assets were greater than the Company's current liabilities by \$571.2 million as compared with \$561.2 million at the end of fiscal 2003. Working capital at October 4, 2003 was \$1.83 billion as compared with \$1.82 billion at June 27, 2003. These ratios remained fairly consistent due to the increase in accounts payable between the two periods, due primarily to the sales volume trends and quarter-end timing as discussed for receivables above, offset in part by the reduction of current debt relating to the retirement of the remaining obligations under the 6.45% Notes during the first quarter of fiscal 2004. At October 4, 2003, to support each dollar of current liabilities, the Company had \$1.41 of quick assets and \$0.92 of other current assets for a total of \$2.33 as compared with \$2.39 at June 27, 2003.

The Company does not currently have any material commitments for capital expenditures.

Recently Issued Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities," as subsequently amended by FASB Staff Position 46-6, "Effective Date of FASB Interpretation No. 46," which requires the consolidation of variable interest entities ("VIEs"), as defined, based upon an assessment of a company's investment interests in the VIE as it relates to the interests of other investors in the VIE. FIN 46 also includes certain disclosure requirements related to any VIEs. The consolidation requirements apply to any VIEs created after January 31, 2003 and, for any VIEs that existed on that date or prior, the consolidation requirements are effective in Avnet's second quarter of fiscal 2004 to the extent Avnet continues to hold an investment interest in any such VIEs as of the first day of that quarter. The adoption of FIN 46 is not expected to have a material impact on the Company's consolidated financial statements.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts. SFAS 149 is effective for contracts entered into or modified after June 30, 2003.

and for hedging relationships designated after June 30, 2003. The provisions of SFAS 149 are to be applied prospectively and, therefore, had no impact on pre-existing hedging transactions.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 establishes standards for classification and measurement of certain financial instruments. SFAS 150 is effective for any financial instruments entered into or modified after May 31, 2003 and Avnet adopted SFAS 150, as required, for any previously existing financial instruments as of June 28, 2003. The adoption of SFAS 150 did not have a material effect on the Company's consolidated financial statements.

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

The Company seeks to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements intended to provide a hedge against all or a portion of the risks associated with such volatility. The Company continues to have exposure to such risks to the extent they are not hedged.

See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in the Company's Annual Report on Form 10-K for the year ended June 27, 2003 for discussion of market risks associated with interest rates and foreign currency exchange. Avnet's exposure to foreign exchange risks have not changed materially since June 27, 2003 as the Company continues to hedge the majority of its foreign exchange exposures. Thus, any increase or decrease in fair value of the Company's foreign exchange contracts is generally offset by an opposite effect on the related hedged position.

See "Liquidity and Capital Resources" appearing in Item 2 of this Report for further discussion of the Company's financing facilities and capital structure. As of October 4, 2003, 49% of the Company's debt bears interest at a fixed rate and 51% of the Company's debt bears interest at variable rates (including as variable rate debt the \$400.0 million 8% Notes and \$300.0 million of the 9 3/4% Notes based on the variable rate hedges in place to hedge the Company's exposure to changes in fair value associated with these Notes due to changes in interest rates — see "Financing Transactions" for further discussion). Therefore, a hypothetical 1.0% (100 basis point) increase in interest rates would result in a \$1.8 million impact on loss before income taxes in the Company's consolidated statement of operations for the quarter ended October 4, 2003.

Item 4. *Controls and Procedures*

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the reporting period covered by this quarterly report on Form 10-Q. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report on Form 10-Q, the Company's disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms relating to the Company.

During the first quarter of fiscal 2004, there have been no changes to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. *Legal Proceedings*

As a result primarily of certain former manufacturing operations, Avnet may have liability under various federal, state and local environmental laws and regulations, including those governing pollution and exposure to and the handling, storage and disposal of hazardous substances. For example, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (“CERCLA”) and similar state laws, Avnet may be liable for the costs of cleaning up environmental contamination on or from its current or former properties, and at off-site locations where the Company disposed of wastes in the past. Such laws may impose joint and several liability. Typically, however, the costs for cleanup at such sites are allocated among potentially responsible parties (“PRPs”) based upon each party’s relative contribution to the contamination, and other factors.

In May 1993, the Company and the former owners of a Company-owned site in Oxford, North Carolina entered into a Settlement Agreement in which the former owners agreed to bear 100% of all costs associated with investigation and cleanup of soils and sludges remaining on the site and 70% of all costs associated with investigation and cleanup of groundwater. The Company agreed to be responsible for 30% of the groundwater investigation and cleanup costs. In October 1993, the Company and the former owners entered into a Consent Decree and Court Order with the Environmental Protection Agency (the “EPA”) for the environmental clean-up of the site, the cost of which, according to the EPA’s remedial investigation and feasibility study, was estimated to be approximately \$6.3 million, exclusive of the approximately \$1.5 million in EPA past costs paid by the PRPs.

In September 2002, the Company’s subsidiary, Sterling Electronics, Inc. (“Sterling”), was added as a defendant in an existing lawsuit filed in the Superior Court of California, County of Los Angeles, by property owners and residents in or near the San Gabriel Valley Superfund Site. This master case is a consolidation of six different matters filed during the period from July 1997 through November 2001. Sterling once owned 92.46% of the capital stock of Phaostron, Inc., which has been named as a PRP for contamination at the site. In March 2003, the court dismissed all six cases on technical grounds, but allowed the plaintiffs the opportunity to properly serve newly-added industrial defendants, including Sterling, in any case not yet outside the mandatory service period. In four of the six cases, the applicable service period has expired. Sterling, therefore, cannot be re-added to those cases as a defendant. In the remaining two cases, the plaintiffs have until January 1, 2004 and November 30, 2004, respectively, to re-add Sterling as a defendant in the master case and properly perfect service of process on Sterling. Those plaintiffs have not indicated a monetary amount sought in this matter. The Company believes that Sterling has meritorious defenses to liability, and, although the ultimate outcome is uncertain, based on current information, the Company does not believe that its liability for this matter, if any, will be material to its financial position, cash flow or results of operations.

The Company is a PRP at a manufacturing site in Huguenot, New York currently under investigation by the New York State Department of Environmental Conservation (“NYSDEC”), which site the Company owned from the mid-1960s until the early-1970s. The estimated cost of the first phase of the environmental clean-up (to remediate contaminated soils), is approximately \$2.4 million based on a NYSDEC cost estimate. The Company is currently engaged in litigation to apportion these costs among it and the current and former owners and operators of the site. Based on current information, Avnet does not anticipate its liability in the matter will be material to its financial position, cash flow or results of operations.

Based on the information known to date, management believes that the Company has appropriately accrued in its consolidated financial statements for its share of the costs associated with these environmental clean-up sites.

The Company and/or its subsidiaries are also parties to various other legal proceedings arising from time to time in the normal course of business. While litigation is subject to inherent uncertainties, management

currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Company's financial position, cash flow or overall results of operations.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits:

Exhibit Number	Exhibit
3.*	By-laws of the Company, effective November 6, 2003.
10.*	Change of Control Agreement dated September 22, 2003 between the Company and Richard Hamada.
31.1*	Certification by Roy Vallee, Chief Executive Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Raymond Sadowski, Chief Financial Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification by Roy Vallee, Chief Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification by Raymond Sadowski, Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished herewith.

B. Reports on Form 8-K:

During the first quarter of fiscal 2004, the Company filed, or furnished, the following Current Reports on Form 8-K: (1) Current Report on Form 8-K bearing cover date of July 14, 2003 in which the Company reported under Item 9 that it had issued a press release announcing certain restructuring and other cost saving initiatives to take place during the Company's fiscal 2004; (2) Current Report on Form 8-K bearing cover date of July 30, 2003 in which the Company reported under Item 5 certain reconciliations between US Generally Accepted Accounting Principles (GAAP) and certain non-GAAP measures presented in certain prior period filings that would be incorporated by reference in future filings; (3) Current Report on Form 8-K bearing cover date of August 6, 2003 in which the Company furnished, pursuant to Item 12, its press release announcing the fourth quarter and fiscal year 2003 financial results; (4) Current Report on Form 8-K bearing cover date of September 9, 2003 in which the Company furnished, pursuant to Item 9, its press release announcing the early termination of its multi-year credit facility; and (5) Current Report on Form 8-K bearing cover date of September 15, 2003 in which the Company filed certain exhibits under Item 7 and reported under Item 8 that the Company had changed its fiscal year from the Friday closest to June 30 to the Saturday closest to June 30.

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.

AVNET, INC.

(Registrant)

By:

/s/ RAYMOND SADOWSKI

Raymond Sadowski
Senior Vice President,
Chief Financial Officer and Assistant Secretary

By:

/s/ JOHN F. COLE

John F. Cole
Controller and Principal Accounting Officer

Date: November 14, 2003

INDEX TO EXHIBITS

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* Filed herewith.

** Furnished herewith.

BY-LAWS

of

AVNET, INC.

Effective November 6, 2003

BY-LAWS OF AVNET, INC.

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BY-LAWS

OF

AVNET, INC

ARTICLE I

Shareholders

Section 1.1. *Annual Meeting.* A meeting of shareholders shall be held annually for the election of directors at such date and time as may be designated by the Board of Directors. Any other proper business may be transacted at the annual meeting.

Section 1.2. *Special Meetings.* Special meetings of the shareholders may be called by the Board of Directors or by the Chairman of the Board, to be held at such date and time as may be stated in the notice of the meeting. At any special meeting only such business may be transacted which is related to the purpose or purposes set forth in the notice of such special meeting given pursuant to Section 1.4 of these by-laws.

Section 1.3. *Place of Meetings.* Meetings of shareholders shall be held at such place within or without the State of New York as may be fixed by the Board of Directors. If no place is so fixed, such meetings shall be held at the principal executive office of the Corporation in the United States.

Section 1.4. *Notice of Meetings.* Written or electronic notice of each meeting of shareholders shall be given stating the place, date and hour of the meeting. Notice of a special meeting of shareholders shall indicate that it is being issued by or at the direction of the person or persons calling the meeting and shall state the purpose or purposes for which the meeting is called. If, at any meeting of shareholders, action is proposed to be taken which would, if taken, entitle shareholders fulfilling the requirements of Section 623 of the New York Business Corporation Law to receive payment for their shares, the notice of such meeting shall include a statement of that purpose and to that effect and shall be accompanied by a copy of Section 623 or any successor statute then in effect or an outline of its material terms. Notice of any meeting of shareholders shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting, or shall be given by third class mail not fewer than twenty-four (24) nor more than sixty (60) days before the date of the meeting, to each shareholder entitled to vote at such meeting. If mailed, such notice shall be deemed given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at the shareholder's address as it appears on the record of shareholders, or, if the shareholder shall have filed with the Secretary of the Corporation a request that notices to the shareholder be mailed to some other address, then directed to the shareholder at such other address. If transmitted electronically, such notice shall

be deemed given when directed to the shareholder's electronic mail address as supplied by the shareholder to the Secretary of the Corporation or as otherwise directed pursuant to the shareholder's authorization or instructions. When a meeting of shareholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. However, if after the adjournment the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record on the new record date entitled to notice under this Section 1.4.

Section 1.5. *Waiver of Notice.* Notice of meeting need not be given to any shareholder who submits a written or electronic waiver of notice whether before or after the meeting. If written, the waiver must be executed by the shareholder or the shareholder's authorized officer, director, employee or agent by signing such waiver or causing his or her signature to be affixed to such waiver by any reasonable means, including but not limited to facsimile signature. If electronic, the transmission of the waiver must either set forth or be submitted with information from which it can reasonably be determined that the transmission was authorized by the shareholder. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by such shareholder.

Section 1.6. *Inspectors.* The Board of Directors shall appoint one or more inspectors to act at a meeting of shareholders or any adjournment thereof and make a written report thereof. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed, or if such persons are unable to act at the meeting, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his or her ability. The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. The date and time (which need not be a particular time of day) of the opening and the closing of the polls for each matter upon which the shareholders will vote at a meeting shall be announced by the person presiding at the meeting at the beginning of the meeting and, if no date and time is so announced, the polls shall close at the end of the meeting, including any adjournment thereof. Except as otherwise required by the New York Business Corporation Law, no ballot, proxies or consents, nor any revocation thereof or changes thereto, shall be accepted by the inspectors after the closing of polls.

Section 1.7. *List of Shareholders at Meetings.* A list of shareholders as of the record date, certified by the Secretary or any Assistant Secretary or by a transfer agent, shall be produced at any meeting of shareholders upon the request thereat or prior thereto of any shareholder. If the right to vote at any meeting is challenged, the inspectors, or person presiding thereat, shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

Section 1.8. *Qualification of Voters.* Every shareholder of record shall be entitled at every meeting of shareholders to one vote for every share standing in his, her or its name on the record of shareholders, unless otherwise provided in the certificate of incorporation. Treasury shares and shares held by another domestic or foreign corporation of any type or kind, if a majority of the shares entitled to vote in the election of directors of such other corporation is held by the Corporation, shall not be shares entitled to vote or to be counted in determining the total number of outstanding shares. Shares held by an administrator, executor, guardian, conservator, committee or other fiduciary, except a trustee, may be voted by him, her or it, either in person or by proxy, without transfer of such shares into his, her or its name. Shares held by a trustee may be voted by him, her or it, either in person or by proxy, only after the shares have been transferred into his, her or its name as trustee or into the name of his, her or its nominee. Shares standing in the name of another domestic or foreign corporation of any type or kind may be voted by such officer, agent or proxy as the by-laws of such corporation may provide, or, in the absence of such provision, as the board of directors of such corporation may determine. A shareholder shall not sell his, her or its vote or issue a proxy to vote to any person for any sum of money or anything of value except as permitted by law.

Section 1.9. *Quorum of Shareholders.* Unless a greater quorum is required by law or by the certificate of incorporation or these by-laws, the holders of a majority of the votes of shares entitled to vote thereat shall constitute a quorum at a meeting of shareholders for the transaction of any business, provided that when a specified item of business is required to be voted on by a particular class or series of shares, voting as a class, the holders of a majority of the votes of shares of such class or series shall constitute a quorum for the transaction of such specified item of business. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders. The shareholders present in person or by proxy and entitled to vote may, by a majority of the votes cast, adjourn the meeting despite the absence of a quorum.

Section 1.10. *Proxies.* Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him, her or it by proxy. No proxy shall be valid after the expiration of eleven months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided by law. The authority of the holder of a proxy to act shall not be revoked by the incompetence or death of the shareholder who executed the proxy unless, before the authority is exercised, written notice of an adjudication of such incompetence or of such death is received by the Secretary or any Assistant Secretary.

Without limiting the manner in which a shareholder may authorize another person or persons to act for him, her or it as proxy, the following shall constitute a valid means by which a shareholder may grant such authority:

(1) A shareholder may execute a writing authorizing another person or persons to act for the shareholder as proxy. Execution may be accomplished by the shareholder or the shareholder's authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

(2) A shareholder may authorize another person or persons to act for the shareholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be reasonably determined that the telegram, cablegram or other electronic transmission was authorized by the shareholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors shall specify the nature of the information upon which they relied.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Section 1.10 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 1.11. *Vote of Shareholders.* Directors shall, except as otherwise required by law or by the certificate of incorporation, be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. Whenever any corporate action, other than the election of directors, is to be taken by vote of the shareholders, it shall, except as otherwise required by law or by the certificate of incorporation or by the specific provisions of a by-law adopted by the shareholders, be authorized by a majority of the votes cast in favor of or against such action at a meeting of shareholders by the holders of shares entitled to vote thereon. Except as otherwise provided in the certificate of incorporation or the specific provision of a by-law adopted by the shareholders, an abstention shall not constitute a vote cast.

Section 1.12. *Written Consent of Shareholders.* Whenever shareholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon. Written consent thus given by the holders of all outstanding shares shall have the same effect as a unanimous vote of shareholders.

Section 1.13. *Fixing Record Date.* For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board of Directors may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no record date is fixed: (1) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held; and (2) the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the resolution of the Board of Directors relating thereto is adopted. When a determination of shareholders of record entitled to notice of or to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date for the adjourned meeting.

Section 1.14. *Advance Notice of Shareholder Nominees for Director and Other Shareholder Proposals.* (a) The matters to be considered and brought before any annual or special meeting of shareholders of the Corporation shall be limited to only such matters, including the nomination and election of directors, as shall be brought properly before such meeting in compliance with the procedures set forth in this Section 1.14.

(b) For any matter to be properly brought before any annual meeting of shareholders, the matter must be (i) specified in the notice of annual meeting given by or at the direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors or (iii) brought before the annual meeting in the manner specified in this Section 1.14(b) by a shareholder of record entitled to vote at the annual meeting of shareholders on such matter or a person (a "Nominee Holder") that holds voting securities entitled to vote at such meeting through a nominee or "street name" holder of record and can demonstrate to the Corporation such indirect ownership and such Nominee Holder's entitlement to vote such securities at the annual meeting on such matter. In addition to any other requirements under applicable law and the certificate of incorporation and by-laws of the Corporation, persons nominated by shareholders for election as directors of the Corporation and any other proposals by shareholders shall be properly brought before the meeting only if notice of any such matter to be presented by a shareholder at such meeting of shareholders (the "Shareholder Notice") shall be delivered to the Secretary of the Corporation at the principal executive office of the Corporation not less than one hundred and twenty (120) nor more than one hundred and fifty (150) days prior to the date of the Corporation's proxy statement released to shareholders in connection with the annual meeting for the preceding year; *provided, however*, that if and only if the annual meeting is not scheduled to be held within a period that commences thirty (30) days before the anniversary date of the annual meeting for the preceding year and ends thirty (30) days after such anniversary date (an annual meeting date outside such period being referred to herein as an "Other Meeting Date"), such Shareholder Notice shall be delivered in the manner provided herein by the later of the close of business on (i) the date one hundred and twenty (120) days prior to such Other Meeting Date or (ii) the tenth day following the date

such Other Annual Meeting Date is first publicly announced or disclosed. Any shareholder desiring to nominate any person or persons (as the case may be) for election as a director or directors of the Corporation shall deliver, as part of such Shareholder Notice, a statement in writing setting forth the name of the person or persons to be nominated, the number and class of all shares of each class of stock of the Corporation owned of record and beneficially by each such person, as reported to such shareholder by such nominee(s), the information regarding each such person required by paragraphs (a), (d), (e) and (f) of Item 401 of Regulation S-K adopted by the Securities and Exchange Commission (or the corresponding provisions of any regulation subsequently adopted by the Securities and Exchange Commission applicable to the Corporation), each such person's signed consent to serve as a director of the Corporation if elected, such shareholders' name and address, the number and class of all shares of each class of stock of the Corporation owned of record and beneficially by such shareholder and, in the case of a Nominee Holder, evidence establishing such Nominee Holder's indirect ownership of, and entitlement to vote, securities at the meeting of shareholders. Any shareholder who gives a Shareholder Notice of any matter proposed to be brought before the meeting (other than to nominate a director or directors) shall deliver, as part of such Shareholder Notice, the text of the proposal to be presented and a brief written statement of the reasons why such shareholder favors the proposal and setting forth such shareholder's name and address, the number and class of all shares of each class of stock of the Corporation owned of record and beneficially by such shareholder, any material interest of such shareholder in the matter proposed (other than as a shareholder) and, in the case of a Nominee Holder, evidence establishing such Nominee Holder's indirect ownership of, and entitlement to vote, securities at the meeting of shareholders. As used herein, shares "beneficially owned" shall mean all shares which such person is deemed to beneficially own pursuant to Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934 (the "Exchange Act").

Notwithstanding anything in this Section 1.14(b) to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at the next annual meeting is increased and either all of the nominees for director at the next annual meeting or the size of the increased Board of Directors is not publicly announced or disclosed by the Corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a Shareholder Notice shall also be considered timely hereunder, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive office of the Corporation not later than the close of business on the tenth day following the first date all of such nominees or the size of the increased Board of Directors shall have been publicly announced or disclosed.

(c) At any special meeting of shareholders only such business may be transacted which is related to the purpose or purposes set forth in the notice of such meeting given pursuant to Section 1.4 of the by-laws. In the event that the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any shareholder may nominate a person or persons (as the case may be) for election to such positions(s) as specified in the Corporation's notice of meeting, if the Shareholder Notice required by Section 1.14(b) hereof shall be delivered to the Secretary of the Corporation at the principal executive office of the Corporation not later than the close of business on the tenth day following the day on which the date of the special meeting and either the names of the nominees

proposed by the Board of Directors to be elected at such meeting or the number of directors to be elected is publicly announced or disclosed.

(d) For purposes of this Section 1.14, a matter shall be deemed to have been “publicly announced or disclosed” if such matter is disclosed in a press release reported by the Dow Jones News Service, Associated Press or comparable national news or wire service or in a document publicly filed by the Corporation with the Securities and Exchange Commission.

(e) In no event shall the adjournment of an annual meeting or special meeting or the postponement of any meeting that does not require a change in the record date for such meeting, or any announcement thereof, commence a new period for the giving of notice as provided in this Section 1.14. This Section 1.14 shall not apply to (i) shareholder proposals made pursuant to and in compliance with Rule 14a-8 under the Exchange Act or (ii) the election of directors selected by or pursuant to any applicable provisions of the certificate of incorporation relating to the rights of the holders of any class or series of preferred stock to elect directors under specified circumstances.

(f) The person presiding at any meeting of shareholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall have the power and duty to determine whether notice of nominees and other matters proposed to be brought before a meeting has been duly given in the manner provided in this Section 1.14 and, if not so given, shall direct and declare at the meeting that such nominees and other matters are out of order and shall not be considered.

Section 1.15. *Organization.* Meetings of shareholders shall be presided over by the Chairman of the Board, or in the absence of the Chairman of the Board by the Vice Chairman of the Board, if any, or in the absence of the Vice Chairman of the Board by the President, if any, or in the absence of the President by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary, or in the absence of the Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of the Secretary and any Assistant Secretary, the chairman of the meeting may appoint any person to act as secretary of the meeting. The order of business at each such meeting shall be as determined by the chairman of the meeting. The chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the polls.

ARTICLE II

Board of Directors

Section 2.1. *Power of Board and Qualification of Directors.* The business of the Corporation shall be managed under the direction of the Board of Directors. Each director shall be at least eighteen years of age.

Section 2.2. *Number of Directors.* The Board of Directors shall consist of three or more members and currently consists of nine members. The number of directors constituting the Board may be fixed from time to time by a majority of the total number of directors which the Corporation would have, prior to any increase or decrease, if there were no vacancies, provided that no decrease shall shorten the term of any incumbent director.

Section 2.3. *Election and Term of Directors.* At each annual meeting of shareholders, directors shall be elected to hold office until the next annual meeting and until their successors have been elected and qualified.

Section 2.4. *Quorum of Directors and Action by the Board.* Unless a greater proportion is required by law or by the certificate of incorporation, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business or of any specified item of business. Except as otherwise provided by law or the certificate of incorporation or these by-laws, the vote of a majority of the directors present at a meeting at the time of such vote, if a quorum is then present, shall be the act of the Board. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents by the members of the Board shall be filed with the minutes of the proceedings of the Board. Except as otherwise provided by law, all corporate action to be taken by the Board of Directors shall be taken at a meeting of the Board or by unanimous written consent. Any one or more members of the Board of Directors may participate in a meeting of the Board by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

Section 2.5. *Meetings of the Board.* An annual meeting of the Board of Directors shall be held in each year as soon as practicable after the annual meeting of shareholders. Regular meetings of the Board shall be held at such times as may be fixed by the Board. Special meetings of the Board may be held at any time whenever called by the Chairman of the Board or any two directors. Meetings of the Board of Directors shall be held at such places as may be fixed by the Board for annual and regular meetings and in the notice of meeting for special meetings. No notice need be given of annual or regular meetings of the Board of Directors. Notice of each special meeting of the Board shall be given to each director either by mail not later than noon, New York time, on the fifth business day prior to the meeting or by facsimile transmission, electronic mail or by hand delivery to the director not later than noon, New York time, on the day prior to the meeting. Notices shall be deemed to have been given by mail when

deposited in the United States mail, by facsimile transmission or electronic mail upon confirmation of receipt, and by hand delivery at the time of delivery by the messenger. Notices by mail, facsimile transmission, electronic mail or hand delivery shall be sent to each director at the address, facsimile number or electronic mail address designated by him or her for that purpose, or, if none has been so designated, at his or her last known residence or business address. Notice of a meeting of the Board of Directors need not be given to any director who submits a signed waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to him or her. A notice or waiver of notice need not specify the purpose of any meeting of the Board of Directors. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of any adjournment of a meeting to another time or place shall be given in the manner described above to the directors who were not present at the time of the adjournment and, unless such time and place are announced at the meeting, to the other directors.

Section 2.6. *Resignation.* Any director of the Corporation may resign at any time by giving written notice to the Board of Directors or to the Chairman of the Board or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective.

Section 2.7. *Removal of Directors.* Any or all of the directors may be removed with or without cause as provided in Article IX of the certificate of incorporation.

Section 2.8. *Newly Created Directorships and Vacancies.* Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the Board of Directors for any reason, except the removal of directors without cause, may be filled by vote of the Board. If the number of directors then in office is less than a quorum, such newly created directorships and vacancies may be filled by vote of a majority of the directors then in office. A director elected to fill a vacancy, unless elected by the shareholders, shall hold office until the next meeting of shareholders at which the election of directors is in the regular order of business, and until his or her successor has been elected and qualified.

Section 2.9. *Compensation of Directors.* Directors, as such, shall not receive any stated salary for their services, but, by resolution of the Board, a fixed annual fee, and/or a fixed fee per meeting attended, stock-based compensation and expenses of attendance, if any, may be allowed to those directors who are not officers or employees of the Corporation or any of its subsidiaries; provided that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees of the Board of Directors, whether or not officers and employees of the Corporation or its subsidiaries, may be allowed additional compensation of the same type in such manner and amount as the Board of Directors shall fix.

Section 2.10. *Directors Emeritus*. The Board of Directors may, by resolution or resolutions passed by a majority of the entire Board, appoint any former non-employee director to be a Director Emeritus and to remain so at the pleasure of the Board until such Director would otherwise retire pursuant to the mandatory retirement policy of the Board. Directors Emeritus may be invited to attend meetings of the Board or any committee of the Board and to participate in discussions at such meetings but shall not be entitled to vote or to serve as a member of the Board or any committee thereof. Directors Emeritus shall not be entitled to receive annual fees, meeting fees or stock-based compensation.

ARTICLE III

Executive and Other Committees

Section 3.1. *Executive and Other Committees of Directors*. The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members an executive committee and other committees, each consisting of one or more directors, and each of which, to the extent provided in the resolution, shall have all the authority of the Board, except that no such committee shall have authority as to (1) the submission to shareholders of any action that needs shareholders' approval under applicable law; (2) the filling of vacancies in the Board or in any committee thereof; (3) the fixing of compensation of the directors for serving on the Board or on any committee thereof, (4) the amendment or repeal of the by-laws, or the adoption of new by-laws, or (5) the amendment or repeal of any resolution of the Board which, by its terms, shall not be so amendable or repealable. The Board may designate one or more directors as alternate members of any such committee who may replace any absent or disqualified member or members at any meeting of such committee. Unless the Board of Directors otherwise provides, each committee designated by the Board may adopt, amend and repeal rules for the conduct of its business. In the absence of a provision by the Board or a provision in the rules of such committee to the contrary, a majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present or the unanimous written consent of all members thereof shall be the act of such committee, any one or more members of such committee may participate in a meeting of such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time and participation by such means shall constitute presence in person at such meeting, and in other respects each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these by-laws. Each such committee shall serve at the pleasure of the Board of Directors.

ARTICLE IV

Officers

Section 4.1. *Officers.* As soon as practicable after the annual meeting of shareholders in each year, the Board of Directors shall elect a Chairman of the Board and Chief Executive Officer, a Secretary, a Chief Financial Officer and a Controller, and it may, if it so determines, elect or appoint from among its members one or more Vice Chairmen of the Board. The Board may also elect or appoint a President, a Treasurer or one or more Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Controllers and may give any of them such further designations or alternate titles as it considers desirable. Any two or more offices may be held by the same person.

Section 4.2. *Term of Office; Resignation; Removal; Vacancies; Salaries.* Except as otherwise provided in the resolution of the Board of Directors electing or appointing any officer, all officers shall be elected to hold office until the meeting of the Board of Directors following the next succeeding annual meeting of shareholders. Each officer shall hold office for the term for which he or she is elected or appointed, and until his or her successor has been elected or appointed and qualified. Any officer may resign at any time by giving written notice to the Board of Directors or to the Chairman of the Board and Chief Executive Officer or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. Any officer may be removed by the Board, with or without cause, at any time. Removal of an officer without cause shall be without prejudice to his or her contract rights, if any, with the Corporation, but the election or appointment of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board. The Compensation Committee shall fix the compensation of (i) executives whose total annual salary and bonus compensation exceeds, or is anticipated to exceed, \$500,000 in any fiscal year and (ii) the Chief Executive Officer and the four executive officers other than the Chief Executive Officer with the highest total annual salary and bonus compensation, whether or not such compensation exceeds, or is anticipated to exceed, \$500,000 in a fiscal year.

Section 4.3. *The Chairman of the Board and Chief Executive Officer.* The Chairman of the Board shall also be the Chief Executive Officer of the Corporation. He or she shall have general charge, control and supervision of all the business and affairs of the Corporation, subject to the control of the Board of Directors. He or she shall have power to execute, on behalf of the Corporation, contracts, conveyances and other instruments, except in cases where the signing, execution or delivery thereof shall be expressly delegated by the Board of Directors or by these by-laws to some other officer or agent of the Corporation or where such documents shall be required by law otherwise to be signed, executed or delivered. He or she shall have the authority to sign all filings of the Corporation with the Securities and Exchange Commission made pursuant to the Securities Act of 1933 and the Exchange Act requiring the signature of the principal executive officer. He or she shall also perform such other duties as may be assigned to

him from time to time by the Board of Directors. He or she shall preside at all meetings of the Board of Directors and of the shareholders. He or she shall have power to appoint and fix the compensation of all employees and agents of the Corporation whose appointment and compensation are not otherwise provided for in Section 4.2 of these by-laws, and to remove or suspend employees and agents that have not been appointed by the Board of Directors.

Section 4.4. *Vice Chairman of the Board.* The Vice Chairman or Vice Chairmen of the Board, if any, shall have such powers and perform such duties as may be assigned to him, her or them from time to time by the Board of Directors or the Chairman of the Board and shall, in the absence of the Chairman of the Board, preside at all meetings of the Board of Directors and of the shareholders. He, she or they shall have power to execute, on behalf of the Corporation, contracts, conveyances and other instruments, except in cases where the signing or execution or delivery thereof shall be expressly delegated by the Board of Directors or by these by-laws to some other officer or agent of the Corporation or where such documents shall be required by law otherwise to be signed, executed or delivered.

Section 4.5. *The President.* The President, if any, shall have such powers and perform such duties as may be assigned to him or her from time to time by the Board of Directors or the Chairman of the Board. The President shall report directly to the Chairman of the Board. In the absence of the Chairman of the Board or in case the office of Chairman of the Board is vacant because of death or other cause, the President shall have the authority to exercise the powers and perform the duties of the Chairman of the Board, except to the extent otherwise provided by these by-laws and except insofar as such powers shall be limited by resolution of the Board of Directors. He or she shall have power to execute, on behalf of the Corporation, contracts, conveyances and other instruments, except in cases where the signing, execution or delivery thereof shall be expressly delegated by the Board of Directors or by these by-laws to some other officer or agent of the Corporation or where any of them shall be required by law otherwise to be signed, executed or delivered.

Section 4.6. *Executive Vice Presidents, Senior Vice Presidents and Vice Presidents.* The Executive Vice Presidents, Senior Vice Presidents and Vice Presidents, if any, shall have such powers and perform such duties as may be assigned to them from time to time by the Board of Directors or the Chairman of the Board. The Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall have authority to exercise the powers and perform the duties required to carry on the Corporation's affairs in the areas to which they are assigned when authorized to do so by the Board of Directors or the Chairman of the Board.

Section 4.7. *The Secretary.* The Secretary shall attend all meetings of the Board of Directors and all meetings of the shareholders and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose. He or she shall give or cause to be given notice of all meetings of shareholders and special meetings of the Board of Directors and shall perform such other duties as may be assigned to him or her from time to time by the Board of Directors or the Chairman of the Board. He or she shall keep in safe custody the seal of the Corporation and may affix it to any instrument the execution of which, on behalf of the Corporation, is duly authorized. Assistant Secretaries, if appointed, shall perform such duties as the Secretary or the Board of Directors may delegate to them. In the absence of the Secretary or

an Assistant Secretary, the seal of the Corporation may be affixed by any other officer to any instrument the execution of which, on behalf of the Corporation, is duly authorized.

Section 4.8. *The Chief Financial Officer.* The Chief Financial Officer shall have principal responsibility for financial matters of the Corporation and shall perform such other duties as the Chairman of the Board or the Board of Directors may prescribe. The Chief Financial Officer shall have the authority to sign all filings of the Corporation with the Securities and Exchange Commission made pursuant to the Securities Act of 1933 and the Exchange Act requiring the signature of the principal financial officer. In the absence of a Treasurer or a Controller, the Chief Financial Officer shall be responsible for carrying out the duties of the Treasurer or the Controller, as the case may be.

Section 4.9. *The Treasurer.* The Treasurer, if any, shall report to the Chief Financial Officer. He or she shall have the custody of the corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board and to the directors at the regular meetings of the Board, or whenever they may require it, an account of all his or her transactions as Treasurer and of the financial condition of the Corporation. He or she shall, if required by the Board, give the Corporation a bond in such sum or sums and with such surety or sureties as shall be satisfactory to the Board, conditioned upon the faithful performance of his or her duties and for the restoration to the Corporation in case of his or her death, resignation, retirement or removal from office of all books, papers, vouchers, money and other property of whatever kind in his or her possession, or under his or her control belonging to the Corporation. Assistant Treasurers, if appointed by the Board of Directors, shall perform such duties as the Treasurer or the Board of Directors may prescribe.

Section 4.10. *Controller.* The Controller shall report to the Chief Financial Officer and shall maintain adequate records of all assets, liabilities and transactions of the Corporation, shall see that adequate audits thereof are currently and regularly made and, in conjunction with other officers and department heads, shall initiate and enforce measures and procedures whereby the business of the Corporation shall be conducted with the maximum safety, efficiency and economy. He or she shall have the authority to sign all filings of the Corporation with the Securities and Exchange Commission made pursuant to the Securities Act of 1933 and the Exchange Act requiring the signature of the chief accounting officer, and to exercise such other powers, and perform such other duties, as may be assigned to him or her from time to time by the Chief Financial Officer, the Board of Directors or the Chairman of the Board.

ARTICLE V

Forms of Certificates and Loss and Transfer of Shares

Section 5.1. *Forms of Share Certificates.* The shares of the Corporation shall be represented by certificates, in such forms as the Board of Directors may prescribe, signed by the Chairman or a Vice Chairman of the Board or the President or an Executive Vice President, Senior Vice President or a Vice President, and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and may be sealed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer at the date of issue. Each certificate representing shares issued by the Corporation shall set forth upon the face or back of the certificate, or shall state that the Corporation will furnish to any shareholder upon request and without charge, a full statement of the designation, relative rights, preferences and limitations of the shares of each class authorized to be issued and, if the Corporation is authorized to issue any class of preferred shares in series, the designation, relative rights, preferences and limitations of each such series so far as the same have been fixed and the authority of the Board of Directors to designate and fix the relative rights, preferences and limitations of other series. Each certificate representing shares shall state upon the face thereof (1) that the Corporation is formed under the laws of the State of New York; (2) the name of the person or person to whom issued; and (3) the number and class of shares, and the designation of the series, if any, which such certificate represents.

Section 5.2. *Transfers of Shares.* Shares of the Corporation shall be transferable on the record of shareholders upon presentation to the Corporation or a transfer agent of a certificate or certificates representing the shares requested to be transferred, with proper endorsement on the certificate or on a separate accompanying document, together with such evidence of the payment of transfer taxes and compliance with other provisions of law as the Corporation or its transfer agent may require.

Section 5.3. *Lost, Stolen or Destroyed Share Certificates.* The Corporation may issue a new certificate for shares in place of any certificate theretofore issued by it, alleged to have been lost or destroyed, and the Board of Directors may require the owner of the lost or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss or destruction of any such certificate or the issuance of any such new certificate.

ARTICLE VI

Other Matters

Section 6.1. *Corporate Seal.* The Board of Directors may adopt a corporate seal, alter such seal at pleasure, and authorize it to be used by causing it or a facsimile to be affixed or impressed or reproduced in any other manner.

Section 6.2. *Fiscal Year.* The fiscal year of the Corporation shall end on the Saturday closest to June 30 in each year, and the first day of the subsequent fiscal year shall begin on the day next following the last day of the previous fiscal year.

Section 6.3. *When Notice or Lapse of Time Unnecessary.* Whenever for any reason the Corporation or the Board of Directors or any committee thereof is authorized to take any action after notice to any person or persons or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of such period of time if at any time before or after such action is completed the person or persons entitled to such notice or entitled to participate in the action to be taken or, in the case of a shareholder, his or her attorney-in-fact, submit a signed waiver of notice of such requirements.

Section 6.4. *Books to be Kept.* The Corporation shall keep (a) correct and complete books and records of account, (b) minutes of the proceedings of the shareholders, Board of Directors and its executive committee, if any, and (c) a current list of the directors and officers; and the Corporation shall also keep at the office of its transfer agent or registrar in the State of New York a record containing the names and addresses of all shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof. Any of the foregoing books, minutes or records may be in written form or in any other form capable of being converted into written form within a reasonable time.

Section 6.5. *Interest of Directors and Officers in Transactions.* No contract or other transaction between the Corporation and one or more of its directors, or between the Corporation and any other corporation, firm, association or other entity in which one or more of its directors are directors or officers, or have a substantial financial interest, shall be either void or voidable for this reason alone or by reason alone that such director or directors are present at the meeting of the Board of Directors, or of a committee thereof, which approves such contract or transaction, or that his, her or their votes are counted for such purpose:

(1) If the material facts as to such director's interest in such contract or transaction and as to any such common directorship, officership or financial interest are disclosed in good faith or known to the Board of Directors or a committee thereof, and the Board or committee approves such contract or transaction by a vote sufficient for such purpose without counting the vote of such interested director or, if the votes of the disinterested directors are insufficient to constitute an act of the Board under Section 2.4 of these by-laws, by unanimous vote of the disinterested directors; or

(2) If the material facts as to such director's interest in such contract or transaction and as to any such common directorship, officership or financial interest are disclosed in good faith or known to the shareholders entitled to vote thereon, and such contract or transaction is approved by vote of such shareholders.

If a contract or other transaction between the Corporation and one or more of its directors, or between the Corporation and any other corporation, firm, association or other entity in which one or more of its directors are directors or officers, or have a substantial financial interest, is not approved as provided above, the Corporation may avoid the contract or transaction unless the party or parties thereto shall establish affirmatively that the contract or transaction was fair and reasonable as to the Corporation at the time it was approved by the Board, a committee or the shareholders.

Section 6.6. *Indemnification of Directors and Officers.* The Corporation shall indemnify to the full extent permitted by law any person made or threatened to be made a party to any action or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of any other enterprise which any director or officer of the Corporation served in any capacity, by reason of the fact that such person or such person's testator or intestate is or was a director or officer of the Corporation or serves or served such other enterprise in any capacity at the request of the Corporation. Expenses incurred by any such person in defending any such action or proceeding shall be paid or reimbursed by the Corporation in advance of the final disposition of such action or proceeding promptly upon receipt by it of an undertaking by or on behalf of such person to repay such expenses if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation. The rights provided to any person by this by-law shall be enforceable against the Corporation by such person who shall be presumed to have relied upon it in serving or continuing to serve as a director or officer as provided above. No amendment of this by-law shall impair the rights of any person arising at any time with respect to events occurring prior to such amendment. For purposes of this by-law, the term "corporation" shall include any constituent or subsidiary corporation (including any constituent of a constituent or subsidiary of a subsidiary) absorbed by the Corporation in a consolidation or merger; the term "other enterprise" shall include any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; service "at the request of the Corporation" shall include service as a director, officer or employee of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action taken or omitted by a person with respect to an employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Corporation.

Section 6.7. *Amendments.* By-laws of the Corporation may be adopted, amended or repealed by a majority of the votes cast by the shares at the time entitled to vote in the election of any directors. By-laws may also be adopted, amended or repealed by the Board of Directors by the vote of a majority of the directors present at a meeting of the Board at which a quorum is present. Any by-law adopted by the Board may be amended or repealed by the shareholders entitled to vote thereon as herein provided.

CHANGE OF CONTROL AGREEMENT

This Change of Control Agreement (the "Agreement") is made effective as of the 22nd day of September, 2003, between Avnet, Inc., a New York corporation with its principal place of business at 2211 South 47th Street, Phoenix, Arizona 85034 Arizona ("Avnet" or "the Company") and Richard Hamada (the "Officer"). Avnet and the Officer are collectively referred to in this Agreement as "the Parties."

WHEREAS, the Officer holds the position of Senior Vice President with the Company; and

WHEREAS, the Parties wish to provide for certain payments to the Officer in the event of a Change of Control of the Company and the subsequent termination of the Officer's employment without cause or the Constructive Termination of the Officer's employment, as those capitalized terms are defined below;

NOW, THEREFORE, the Parties agree as follows:

1. Definitions.

(a) "Change of Control" means the happening of any of the following events:

- (i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (A) the then outstanding shares of common stock of the Company or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that the following transactions shall not constitute a Change of Control under this subsection (i): (w) any transaction that is authorized by the Board of Directors of the Company as constituted prior to the effective date of the transaction, (x) any acquisition directly from the Company (excluding an acquisition by virtue of the exercise of a conversion privilege), (y) any acquisition by the Company, or (z) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company; or
- (ii) individuals who, as of the effective date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be

considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company.

(b) “Constructive Termination” means the happening of any of the following events:

(i) a material diminution of Officer’s responsibilities, including, without limitation, title and reporting relationship;

(ii) relocation of the Officer’s office greater than 50 miles from its location as of the effective date of this Agreement without the consent of the Officer;

(iii) a material reduction in Officer’s compensation and benefits.

(c) The “Exchange Act” shall mean the 1934 Securities Exchange Act, as amended.

2. Constructive Termination or Termination after Change of Control. If, within 24 months following a Change of Control, the Company or its successor terminates Officer’s employment without cause or by Constructive Termination, Officer will be paid, in lieu of any other rights under any employment agreement between the Officer and the Company, in a lump sum payment, an amount equal to 2.99 times the sum of (i) the Officer’s annual salary for the year in which such termination occurs and (ii) the Officer’s incentive compensation equal to the average of such incentive compensation for the highest two of the last five full fiscal years. All unvested stock options shall accelerate and vest in accordance with the early vesting provisions under the applicable stock option plans and all incentive stock program shares allocated but not yet delivered will be accelerated so as to be immediately deliverable. Officer shall receive his or her accrued and unpaid salary and any accrued and unpaid pro rata bonus (assuming target payout) through the date of termination, and Officer will continue to participate in the medical, dental, life, disability and automobile benefits in which Officer is then participating for a period of two years from the date of termination.

3. **Excise Taxes.** In the event that Officer is deemed to have received an excess parachute payment (as such term is defined in Section 280G(b) of the Internal Revenue Code of 1986, as amended (the “Code”)) that is subject to excise taxes (“Excise Taxes”) imposed by Section 4999 of the Code with respect to compensation paid to Officer pursuant to this Agreement, the Company shall make an additional payment equal to the sum of (i) all Excise Taxes payable by Officer plus (ii) any additional Excise Tax or federal or state income taxes imposed with respect to such payments.
4. **Miscellaneous.** This Agreement replaces and supercedes in its entirety that certain Change of Control Agreement dated November 1, 2000 between Officer and Company. This Agreement modifies any employment agreement between Officer and the Company only with respect to such terms and conditions that are specifically addressed in this Agreement. All other provisions of any employment agreement between the Company and Officer shall remain in full force and effect.

AVNET, INC.

By Raymond Sadowski

Its Senior VP and CFO

Officer

/s/ Richard Hamada

Richard Hamada

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Roy Vallee, Chief Executive Officer of Avnet, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avnet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

/s/ ROY VALLEE

Roy Vallee
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Raymond Sadowski, Chief Financial Officer of Avnet, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avnet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

/s/ RAYMOND SADOWSKI

Raymond Sadowski
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

Pursuant to 18 U.S.C. §1350, the undersigned Chief Executive Officer of Avnet, Inc. (the “Company”) hereby certifies that the Company’s Quarterly Report on Form 10-Q for the period ended October 4, 2003 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2003

/s/ Roy Vallee

Roy Vallee
Chief Executive Officer

The foregoing certification is being furnished pursuant to 18 U.S.C. §1350 and Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

Pursuant to 18 U.S.C. §1350, the undersigned Chief Financial Officer of Avnet, Inc. (the “Company”) hereby certifies that the Company’s Quarterly Report on Form 10-Q for the period ended October 4, 2003 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2003

/s/ Raymond Sadowski

Raymond Sadowski
Chief Financial Officer

The foregoing certification is being furnished pursuant to 18 U.S.C. §1350 and Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document.