

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Arrow Electronics, Inc.
50 Marcus Drive
Melville, NY 11747

Attention: *Wayne Brody*
Chief Compliance Officer

Dear Mr. Brody:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Arrow Electronics, Inc. (“Arrow”) of Melville, NY, has committed five violations of the Export Administration Regulations (the “Regulations”),¹ which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).² Specifically, BIS charges that Arrow has committed the following violations:

Charges 1-5 15 C.F.R. § 764.2(a) - Exporting Items to Russia Without the Required Authorizations

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on five occasions between on or about July 6, 2000 and May 26, 2004, Arrow

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The charged violations occurred between 2000 and 2004. The Regulations governing the violations at issue are found in the 2000-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2004)). The 2006 Regulations establish the procedures that apply to this matter.

² 50 U.S.C. app. §§ 2401- 2420 (2000). From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 (114 Stat. 2360 (2000)) and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 2, 2005, (70 Fed. Reg. 45273 (August 5, 2005)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)).

engaged in conduct prohibited by the Regulations by exporting electronic and computer components, items subject to the Regulations (ECCN³ 3A001) to Russia without obtaining licenses from BIS as required by Section 742.4 of the Regulations. In so doing, Arrow committed five violations of Section 764.2(a) of the Regulations.

Accordingly, Arrow is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$11,000 per violation;⁴

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Arrow fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. (Regulations, Sections 766.6 and 766.7.) If Arrow defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Arrow. The Under Secretary for Industry and Security may then impose up to the maximum penalty on the charges in this letter.

Arrow is further notified that it is entitled to an agency hearing on the record if Arrow files a written demand for one with its answer. (Regulations, Section 766.6). Arrow is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4.)

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18.) Should Arrow have a proposal to settle this case, Arrow or its representative should transmit the proposal to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Arrow's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

³"ECCN" refers to "Export Control Classification Number." See Supp. 1 to 15 C.F.R. § 774.

⁴ See 15 C.F.R. § 6.4(a)(2).

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

In addition, a copy of Arrow's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Parvin Huda, Esq.
Room H-3839
United States Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Parvin Huda is the attorney representing BIS in this case. Any communications that Arrow may wish to have concerning this matter should occur through her. She may be contacted by telephone at (202) 482-5301.

Sincerely,

Michael D. Turner
Director
Office of Export Enforcement

Enclosure

Arrow Electronics

Schedule A

	Export Date On or About	Item	ECCN	Value	Destination	Violation
1	7/6/2000	Analog-to-Digital Converter	3A001.a.2.c	\$2,473.71	Russia	15 C.F.R. § 764.2 (a)
2	11/5/2001	High Gain Broadband MMIC Amplifier	3A001.b.2.d	\$511.20	Russia	15 C.F.R. § 764.2 (a)
3	11/14/2002	Integrated Circuit	3A001.a.2.c	\$2,302.50	Russia	15 C.F.R. § 764.2 (a)
4	9/5/2003	Analog-to-Digital Converter and Programmable Logic Device	3A001a.5.a.2 and 3A001.a.7.a	\$992.35	Russia	15 C.F.R. § 764.2 (a)
5	6/18/2004	Analog-to-Digital Converter	3A001.a.5.a.3	\$458.40	Russia	15 C.F.R. § 764.2 (a)
		Total:		\$6,738.16		

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Arrow Electronics, Inc.)
50 Marcus Drive)
Melville, NY 11747)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, Arrow Electronics, Inc. (“Arrow”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (“Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),²

¹ The charged violations occurred between 2000 and 2004. The Regulations governing the violations at issue are found in the 2000-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2004)). The 2006 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 (114 Stat. 2360 (2000)) and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 2, 2005, (70 Fed. Reg. 45273 (August 5, 2005)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)).

WHEREAS, Arrow filed a voluntary self-disclosure with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the transactions at issue herein;

WHEREAS, BIS has notified Arrow of its intention to initiate an administrative proceeding against Arrow, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Arrow that alleged that Arrow committed five violations of the Regulations, specifically:

1. *Five Violations of 15 C.F.R. § 764.2(a) - Exporting Items to Russia Without the Required Authorizations:* On five occasions between on or about July 6, 2000 and May 26, 2004, Arrow engaged in conduct prohibited by the Regulations by exporting electronic and computer components, items subject to the Regulations (ECCN³ 3A001), to Russia without obtaining licenses from BIS as required by Section 742.4 of the Regulations.

WHEREAS, Arrow fully understands the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, Arrow enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, Arrow states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

³"ECCN" refers to "Export Control Classification Number." See Supp. 1 to 15 C.F.R. § 774.

WHEREAS, Arrow neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, Arrow wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, Arrow agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Arrow, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanction shall be imposed against Arrow in complete settlement of the violations of the Regulations relating to the transactions specifically detailed in the voluntary self-disclosure and the proposed charging letter:

a. Arrow shall be assessed a civil penalty in the amount of \$20,000 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.

b. The timely payment of the civil penalty agreed to in paragraph 2.a. is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Arrow. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Arrow's export privileges for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Arrow hereby waives all rights to further procedural steps in this matter (except with respect to any

alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$20,000 civil penalty, BIS will not initiate any further administrative proceeding against Arrow in connection with any violation of the Act or the Regulations arising out of the transactions identified in the voluntary self-disclosure and the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.


7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on BIS only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

ARROW ELECTRONICS, INC.


Michael D. Turner
Director
Office of Export Enforcement


Wayne Brody
Chief Compliance Officer

Date: 6/14/06

Date: June 8, 2006

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Arrow Electronics, Inc.)
50 Marcus Drive)
Melville, NY 11747)
)
Respondent)

ORDER RELATING TO ARROW ELECTRONICS, INC.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Arrow Electronics, Inc. (“Arrow”) of its intention to initiate an administrative proceeding against Arrow pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (“Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),² by issuing a proposed charging letter to Arrow that alleged that Arrow committed five violations of the Regulations. Specifically, the charges are:

¹ The charged violations occurred between 2000 and 2004. The Regulations governing the violations at issue are found in the 2000-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2004)). The 2006 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 (114 Stat. 2360 (2000)) and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 2, 2005, (70 Fed. Reg. 45273 (August 5, 2005)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)).

1. *Five Violations of 15 C.F.R. § 764.2(a) - Exporting Items to Russia Without the Required Authorizations:* On five occasions between on or about July 6, 2000 and May 26, 2004, Arrow engaged in conduct prohibited by the Regulations by exporting electronic and computer components, items subject to the Regulations (ECCN³ 3A001), to Russia without obtaining licenses from BIS as required by Section 742.4 of the Regulations.

WHEREAS, BIS and Arrow have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$20,000 is assessed against Arrow, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

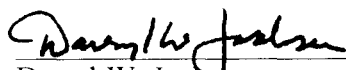
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Arrow will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

³“ECCN” refers to “Export Control Classification Number.” *See* Supp. 1 to 15 C.F.R. § 774.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Arrow. Accordingly, if Arrow should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Arrow's export privileges for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



Darryl W. Jackson
Assistant Secretary of Commerce
for Export Enforcement

Entered this 20th day of June 2006.